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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By SHC NLE, Date 4-28-77

MINUTES OF CABINET MEETING

February 18, 1955
9:30 A. M. - 11:15 A. M.

The following were present:

President Eisenhower

Sec. Dulles, in part,
    and Under Sec. Hoover
Sec. Humphrey
Sec. of the Army Stevens
    (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield, in part
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Hon. D. A. Fitzgerald
    (for Gov. Stassen)
Dr. Flemming
Amb. Lodge
Chairman Young
Dr. Arthur Burns

Commissioner Coleman Andrews, in part

Gov. Adams
Mr. Shanley, in part
Mr. Harlow, in part
Mr. Rockefeller
Gen. Cutler, in part
Mr. Murray Snyder
Dr. Hauge
Mr. McCann, in part
Gov. Pyle
Mr. Rabb
Mr. Minnich

Foreign Relations - After announcing that he was leaving almost immediately for Bangkok, Sec. Dulles went on to assess the leadership change in Moscow and the Formosa situation. He believed it too early to reach solid conclusions on the Malenkov - Khrushchev change, but he felt the incident emphasized the difficulty of running a dictatorship by Committee. He believed further changes might ensue, that Khrushchev is not and could not be all-powerful, and that the Zhukov appointment indicated some increasing Army influence. Sec. Dulles saw the incident as evidence of the conflict between Russian international and domestic objectives, particularly since the Russians had been attempting to enlarge their economic support for Indo-China, India, etc., and at a time when it was no longer able to draw heavily on the strength of the satellites.

In regard to Formosa, Mr. Dulles believed that Communist China had no interest in settling for Quemoy and Matsu even if they could obtain them peacefully. Instead, that government seemed determined to overthrow the Nationalist government and remove the damper to Communist expansion which resulted from the continued existence of Chiang's army.

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Sec. Dulles emphasized that surrender of the offshore islands would have a serious psychological impact on Formosa resulting in a weakening of that island to defend itself against Communist attack.

The President briefly called to Mr. Dulles' attention some of the things he might watch most closely in his discussions regarding Chiang Kai-shek.

Internal Revenue Policies - Commissioner Coleman Andrews outlined the problems confronting the Internal Revenue bureau when this Administration came to office, involving such things as public lack of confidence, shattered morale of Internal Revenue personnel, and the lack of any results up to that point from the earlier reorganization. In describing changes made since January, 1953, he emphasized the improved personnel program, the strengthened inspection and accounting systems, improved relations with the public, greater efficiency of collections, and effective action to discover and punish corrupt practices. He quoted from a recent editorial in the U. S. Tobacco Journal to illustrate improved relations with the public. He stated that the practice of secret rulings had been terminated, thus preventing such earlier secret rulings as the one which allowed loans to the Democratic National Committee to be charged off as "bad debts".

Mr. Andrews cited as two major problems the needless inquiries from Government officials which divert Revenue personnel from their primary function of full collection of taxes, and the need for restricting further the availability of income tax data. He made clear that the Secretary of the Treasury approved release of such data in each instance and he stated that the number secured by Sen. McCarthy had been only a small fraction of what was alleged.

In discussion, the President suggested the possible desirability of having a small corps of experts assigned solely to handle the official inquiries, thus enabling others to stick to their primary function. The President urged Mr. Andrews to get the story of his progress thus far generally known to the public. Amb. Lodge urged development of a full public relations program. Mr. Andrews described the current activities to reach the public. The President, Sec. Humphrey and Sec. Benson all commented on the desirability of securing nationwide as well as local publicity, and the President emphasized the need for frequent repetition.

Sec. Humphrey agreed that the availability of tax data should be further restricted. The President and Amb. Lodge believed that could be accomplished provided the subject was discussed on a very personal basis with the leaders of both parties in order to avoid the development of any attack by the Legislature on the Executive on the basis of perogative.

AFL-CIO Merger - Sec. Mitchell described briefly the AFL-CIO merger. He stressed that it was at this time mainly a statement of a principle to be accomplished first at the national level. Perhaps two more years would be required to accomplish integration at the state and local levels. Mr. Mitchell believed that the constitution which would be drawn up would emphasize the independent rights of the constituent parts of the organization. He interpreted the distribution of Vice Presidencies as indicating a predominance of the A. F. of L.

In regard to potential effects, Mr. Mitchell foresaw perhaps an increased political influence resulting from the enthusiasm of the combined political

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E.O. 11652, Section 1
By DHC NLE, Date 8-5-76.

staffs of the two organizations, a psychological impetus for expanding membership particularly in the chemical and oil industries, and among white collar workers in large companies where the other workers are already organized. Mr. Mitchell did not believe there would be any large effect on the bargaining power of the various member unions. He thought political efforts would be directed at first towards elimination of restrictive state laws and towards revision of the Taft-Hartley Act.

In discussion, the President expressed his traditional concern as to the development of any tremendously large organization unrivaled by any others in the same field. He asked about the relationship of anti-trust legislation to any such huge organization in the field of labor. He believed that should such an organization over-reach itself it might, to its own disadvantage, become a national election issue. The Attorney General said the subject would soon come before Cabinet in the report on the anti-trust legislation study.

Sec. Mitchell noted that this organization would not be a monopoly in respect to bargaining and that there would be continued rivalry between unions in respect to jurisdictions. In regard to a suggestion that auditing of labor organization books might be required by legislation, the Attorney General pointed to the manner in which labor and public opinion generally support anti-racketeering measures. Sec. Mitchell indicated that there is not presently under consideration any legislation to require an auditing. He did not view the merger as a "dire threat" in any respect.

Sec. Benson commented on a similar difference of outlook between members and leaders of farm organizations.

Agricultural Developments - Sec. Benson made a brief presentation of the paper (CI-10/1) on surplus products distribution to the needy. He stressed Agriculture's opposition to the many bills on this subject now before Congress.

Sec. Benson presented the booklet (CI-16) on consumer eating habits and indicated that it had been prepared at the request of Members of Congress, farm organizations, food processors, etc. Sec. Mitchell suggested that the percentage said to be devoted to food was open to many refinements and would probably become the object of critical comment. Sec. Benson stated that the figure might be broken down to show percentages for various income groups or that a brief explanatory note might be added.

In regard to aspects of the flexible price support program, Sec. Benson stressed that surpluses continued to increase, that Agriculture had ordered extensive acreage reductions in wheat, cotton, rice, and tobacco in compliance with legislation, and that many Congressmen were now attempting to focus on the Administration the blame for these acreage reductions. He interpreted this as a desperate attempt by Congressmen to shake off their responsibility for these surpluses which had resulted from the emergency support programs they voted in wartime and allowed to continue ten years beyond the emergency.

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The President noted the curious mixture of opinion reflected in a South Dakota poll where 88% approved of the President but 92% disapproved of the Administration farm program.

Sec. Benson commented on the lack of understanding in many parts of the country of the true nature of the Administration's farm program. He cited his experience in Minneapolis recently as indicative of lack of adequate administration educational efforts.

Reduction in the President's Budget Estimates (CP-20) - Mr. Hughes briefed this paper and the President gave his approval to the procedures recommended.

Internal Security Testimony - At the request of Gen. Persons, Gov. Adams emphasized the need for Cabinet members themselves to answer any questions concerning the Internal Security program which might be asked at Congressional Committee hearings -- whether by Appropriations Subcommittees or any others. Gov. Adams indicated that the Cabinet member might wish to designate an immediate assistant to answer such questions. He emphasized that in no case should career civil servants be expected or allowed to carry the burden of answering such questions.

Proposed Statement on Dispersal Standards - Dr. Flemming called attention to the Congressional hearings scheduled for the near future and the necessity for speaking to the question of dispersal standards as regards the rapid tax amortization program. He cited the need for drawing away from any uniform mileage standard. He then read a brief statement which was distributed to the Cabinet.

The President stated that he was quite certain that nothing could be gained from a gratuitous public statement. He believed any discussion should be restricted to what was necessary to answer questions at the hearing. Dr. Flemming indicated that he would not speak to the question unless asked and, in that case, he would speak along the lines of the draft statement.

Dr. Flemming pointed out that the 10-mile standard was now completely obsolete and that to set a standard of even 35 miles would be administratively impossible in an area such as New England where cities are so close together. To do so would mean the abandonment of industry in New England -- obviously out of the question.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

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CI - 10/1

February 16, 1955

The White House

Washington

THE CABINET

Surplus Farm Commodity Distribution to Needy Families - Supplementary Report

For information of Cabinet Members, attached is a paper prepared by the Secretary of Agriculture on one of the subjects which he will discuss at the coming Cabinet Meeting.

This paper supplements CI - 10 of January 5, 1955, which was discussed in Cabinet on January 7, 1955. At that meeting, the Secretary of Agriculture was asked to initiate a spot check of the distribution program with particular regard to those states receiving the largest share of the commodities. (RA - 8, Item 7.)

The attached paper contains an analysis and review of this distribution program as it affects both federal and state participation. The paper also lists certain pending bills which have a bearing on the relief distribution program and summarizes the position of the Department of Agriculture with respect to this proposed legislation.

This paper should be available as background information during the Cabinet's discussion of Item 4-a (CA - 13) at the coming Meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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Supplementary Report on Surplus Commodity Distribution to Needy Families

Summary

Since the Department's last report and the Cabinet's discussion of it, we have

issued a press release on all our donation programs;

reviewed and re-evaluated the needy persons donation program; and

conferred with representatives of the Bureau of the Budget and

the Department of Health, Education and Welfare on the various aspects of the program.

Since the first of the year, numerous bills have been introduced in Congress which, if enacted, would directly affect this program.

This report is a follow-up on our previous report for the purpose of keeping you informed of the progress and problems in this program. Although we are asking for no policy decisions at this time, we would welcome any suggestions you may care to make.

Press Release, January 10, 1955

This release stressed in a positive manner the increased use of food surpluses, over and above what we could sell, for donation to U. S. school lunch program and to the needy at home and abroad. It stated that distribution was made to school lunch programs serving more than 10,000,000 children, to some 1,300,000 persons in charitable institutions and hospitals, as well as to about 2,620,000 needy persons outside institutions.

In addition, the release pointed out that commodities were made available to 16 U. S. private welfare agencies for distribution to 41 foreign countries.

Comparisons were made between donations to all outlets for all of fiscal year 1954 and the first half of 1955. In terms of total poundage to all outlets, the figures were: 601.7 million pounds for the 1954 fiscal year as compared with 442.2 for the first half of 1955. (See attached table for breakdown by commodity, outlet, and period.)

Review and Re-evaluation of Distribution to U. S. Needy Persons

1. Adequacy of federal supervision. Since this program grew very rapidly during the past year, federal control was exercised largely by personal consultation with state officials in working out their arrangements. The adequacy of the state operations was reviewed by Departmental personnel visiting many counties and observing actual certification procedures and distribution on the spot. As a result of a review of this program by the Secretary's Policy Committee early last June, when it became apparent that the program was going to continue to grow, our supervisory staff was increased.

At the present time, we have a minimum of 32 people available in field offices to review and supervise this program. Based on the recent analysis of travel by both Washington and field personnel in a number of states having better than 80 percent of the national total of persons certified to receive commodities, we believe the coverage was adequate. For example, within the last ten months in Pennsylvania we spent a total of 100 man-days inspecting 32 principal counties of the 48 participating in the program and reviewing the adequacy of the State's operations.

Although the staff for this program appears adequate at this time, if the program continues to grow and more states participate, additional staff will be added as necessary. On the other hand when the program contracts as our inventories are reduced, this staff will be reduced.

Attention is called, however, to the fact that the primary responsibility

2. Current State eligibility standards, procedures, and operations. Ten states, representing more than 85 percent of the U. S. caseload, were analyzed, particularly from the standpoint of certification standards and procedures. In six of these states the whole program is handled by the State departments of welfare or public assistance through their county offices and in the other four by other State Departments and locally by County Judges or Commissioners.

Where possible, we are encouraging States to place responsibility for certification in State welfare departments. This is the trend nationally.

Four of the ten States reviewed have established income maximums as a standard for certification. In applying these maximums, all forms and sources of income are given dollar values, e.g., gardens, free rent, milk from cows, etc. In all these states the amounts are based on schedules used for other forms of public assistance.

In Pennsylvania, the schedule issued by the state was developed by the State Department of Public Assistance and falls about half-way between the standard for medical assistance to school children and the standard for establishing contributions required from relatives for indigent persons. On the basis of a review of the actual standards used in 29 Pennsylvania counties, only 14 use the State standard while the other 15 use lower standards of varying amounts.

At about the time of the national elections we initiated negotiations with the Governor's office in Pennsylvania to transfer this program from the Division of Purchases and Supplies and the County Commissioners to the State Department of Public Assistance operating through its county offices. The Governor agreed to this but with the change in administration the decision has not been implemented. We are now negotiating with the new Governor and have every reason to believe the transfer will be made. This move should result in tighter certification operations and a possible reduction in caseload.

In the remaining six of the ten States reviewed, for applicants not already receiving public assistance, the basis for eligibility is "need" as determined by local officials. Determination of need is based on unemployment, part-time employment and loss of farm income because of drought. This determination is made on the basis of personal knowledge, payroll records, unemployment records and referrals by private agencies. Although these states have no income standard for eligibility they are making distribution in areas of unemployment and drought where the recipients have very little or no cash income.

On the basis of our analysis, we believe the standards generally being used are in line with state welfare policies and that a national standard for the determination of need is unnecessary and unworkable. It is our understanding that the experience of the Department of Health, Education, and Welfare has led them to the same conclusion in regard to their programs.

3. More specific federal instructions to states. Based on operating experience during the past year and the broad federal requirements under which the states have been operating, we are issuing more detailed and specific instructions to the states to assist them in meeting our requirements.

Proposed Legislation

1. To make flour and cornmeal available. Senator Clements has introduced a bill co-sponsored by twelve other Senators, including Senators Martin, Capehart and Dirkson, that would authorize the Department to process such commodities as wheat and corn into flour and cornmeal. Ten identical bills have been introduced in the House by both Republican and Democratic Congressmen.

Judging from Congressional interest and correspondence this past year, there will be a strong move in Congress for passage of this legislation and its implementation. We have opposed such action for two reasons:

(1) it will be relatively ineffective from a surplus disposal standpoint, since it is believed that relief distribution of flour and cornmeal from Commodity Credit Corporation stocks will largely displace other usage of these items, and will not result in any substantial decrease in Commodity Credit Corporation stocks of wheat and corn, and

(2) it would have the effect of increasing the needy family program both in number of states and individual recipients.

Since, unlike other commodities, we will probably have substantial quantities of grain in inventory for an indefinite period, the donation of flour and cornmeal would prolong this program beyond the point where it is necessary. Otherwise, from past experience, as the commodities available have decreased, the states have discontinued this type of distribution. Where quantities are limited we have always given priority to school lunches and charitable institutions.

2. To provide Federal distribution to the ultimate recipient. Legislation, as introduced by Congressman Van Zandt would move this program further in the direction of a federal relief program rather than just surplus disposal. It would authorize the Department to actually make local distribution (or pay the cost on a contract basis) in designated distress areas when the States found they did not have the authority or funds to handle the program.

The Department will recommend against passage of this bill.

3. To authorize food stamp plans. Three bills have been introduced on this subject Senator Aiken, for himself and two Senators, by Senator Kerr, for himself and twenty-two Senators, and Representative Keating. (See attached list.)

As the number of commodities donated, and concurrently the size of the needy family program, has increased more and more interest has been evidenced by the food industry in some plan whereby surplus removal and price support could be accomplished by subsidizing increased movement of certain commodities through regular retail outlets rather than by government purchases and donation. Such plans would not move any of our current inventories.

According to the Department's records, the previous program of this type presented difficult operating problems, was both complex and costly to administer, and proved to be more effective for some commodities than for others. However, at the suggestion of the President's Advisory Commission on Agriculture in its last meeting, we are preparing possible plans for a limited experimental program to explore the feasibility of some means to increase the consumption of fluid milk through earmarked payments to needy families.

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QUANTITIES OF SURPLUS FOODS DONATED FOR DOMESTIC AND FOREIGN USE

Fiscal Year 1954 and Estimated First Half Fiscal Year 1955

Commodity	Domestic						Foreign Distribution		Total Distribution	
	Schools		Institutions		Needy Persons					
	Fiscal Year 1954	1st Half Fiscal Year 1955	Fiscal Year 1954	1st Half Fiscal Year 1955	Fiscal Year 1954	1st Half Fiscal Year 1955	Fiscal Year 1954	1st Half Fiscal Year 1955	Fiscal Year 1954	1st Half Fiscal Year 1955
	-Million Pounds-									
Butter	42.6	25.0	24.2	11.0	4.9	16.0	60.2	41.1	131.9	93.1
Cheese	26.7	20.0	13.4	9.0	5.0	12.0	31.0	25.9	76.1	66.9
Dry Milk	13.5	14.0	11.0	7.0	5.0	11.0	92.7	109.0	122.2	141.0
Beef & Gravy	114.7	22.2	52.7	7.4	10.4	7.4	—	—	177.8	37.0
Dry Beans	2.0	19.0	5.5	8.0	2.4	11.0	—	—	9.9	38.0
Shortening 1/	15.2	16.0	10.0	10.9	3.7	7.1	—	22.4	28.9	56.4
Other 2/	31.3	8.4	17.5	1.3	6.1	.1	—	—	54.9	9.8
Total	246.0	124.6	134.3	54.6	37.5	64.6	183.9	198.4	601.7	442.2

1/ Includes cottonseed oil.
2/ Includes several commodities in limited amounts.

FDD
1/5/55

Agriculture-Washington

CABINET PAPER
For Information

Sponsors of Bills to Authorize CCC to Process Food Commodities for Donation Purposes

HOUSE

Cleveland M. Bailey	D.	W. Va.	H.R. 2805
William G. Bray	R.	Ind.	H.R. 3244
M. G. Burnside	D.	W. Va.	H.R. 2823
Robert C. Byrd	D.	W. Va.	H.R. 2824
Kenneth J. Gray	D.	Ill.	H.R. 3249
W. Pat Jennings	D.	Va.	H.R. 2851
Elizabeth Kee	D.	W. Va.	H.R. 2855
Robert H. Mollohan	D.	W. Va.	H.R. 2864
Thomas E. Morgan	D.	Pa.	H.R. 3127
Carl D. Perkins	D.	Ky..	H.R. 2871
James E. Van Zandt	R.	Pa.	H.R. 3144, H.R. 3145

SENATE

Earle C. Clements D. Ky. For himself and the following:
Alben W. Barkley, D. Ky.; James H. Duff, R. Pa.;
Edward Martin, R. Pa.; Matthew M. Neely, D. W. Va.;
Harley M. Kilgore, D. W. Va.; Thomas C. Hennings, Jr., D. Mo.;
Stuart Symington, D. Mo.; Lister Hill, D. Ala.;
Homer E. Capehart, R. Ind.; Paul H . Douglas, D. Ill.;
Olin D. Johnston, D. S. C.; Everett McKinley Dirksen, R. Ill. S. 661

Sponsors of Food Allotment or Similar Bills

SENATE

George D. Aiken R. Vt. For himself and the following:
Milton R. Young, R. N.Dak. and Hubert H. Humphrey, D. Minn. S. 45

Robert S. Kerr D. Okla. For himself and the following:
J. Allen Frear, Jr., D. Del.; Earle C. Clements, D. Ky.;
Mike Mansfield, D. Mont.; Henry C. Dworshak, R. Idaho;
William Langer, R. N. Dak.; Lister Hill, D. Ala.;
George A. Smathers, D. Fla.; Alexander Wiley, R. Wisc.;
Allen J. Ellender, Sr., D. La.; Dennis Chavez, D. N. Mex.;
Estes Kefauver, D. Tenn.; Russell B. Long, D. La.;
James O. Eastland, D. Miss.; Milton R. Young, R. N. Dak.;
Stuart Symington, D. Mo.; Olin D. Johnston, D. S. C.;
A. S. Mike Monroney, D. Okla.; John L. McClellan, D. Ark.;
Paul H. Douglas, D. Ill.; Hubert H. Humphrey, D. Minn.;
John J. Sparkman, D. Ala.; and John Stennis, D. Miss. S. 627

HOUSE

Kenneth B. Keating	R.	N. Y.	H.R. 802

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CI - 16

February 17, 1955

The White House

Washington

THE CABINET

American Food Production -
"More and Better Foods"

For information of Cabinet Members, attached is a copy of a brochure prepared by the Department of Agriculture and entitled "More and Better Foods."

This brochure, which is at present a preliminary copy for review purposes only, is circulated as background information in connection with the Cabinet's discussion of Item 4-b (CA - 13) at the next Meeting.

Eventual public distribution is expected to take place beginning March 10, both directly and by resale of the printing plates, through the press and other media, farm organizations, trade and industry groups, women's organizations, Members of Congress and State Extension Services.

Since the copies at present are limited, this distribution is being correspondingly restricted.

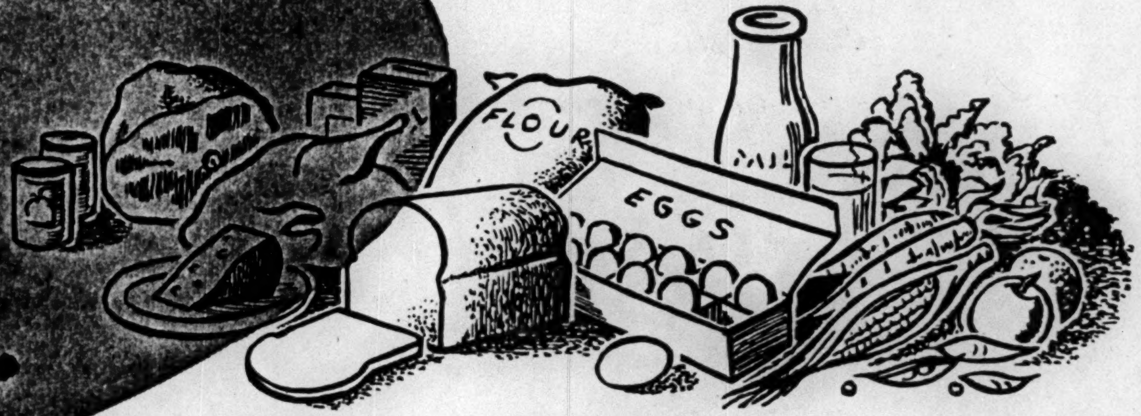
Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

PRELIMINARY COPY
FOR REVIEW PURPOSES ONLY

MORE and BETTER FOODS....



FROM TODAY'S PAY CHECK

U. S. Department of Agriculture – Washington, D. C.

BETTER LIVING

An hour of your labor will now buy more food – and better food – for your family than ever before.

Farmers, food processors, manufacturers, and distributors helped to make this possible by using science and invention to increase efficiency and improve their service to consumers.

The result is that your family today is eating more nutritious food of far greater variety.

But your superior diet takes no larger share of your earnings than the less varied diet of 30 years ago.

The Department of Agriculture, the Land-Grant Colleges, and the State departments of agriculture are proud to have had a part in this accomplishment.

Ezra Taft Benson
SECRETARY OF AGRICULTURE

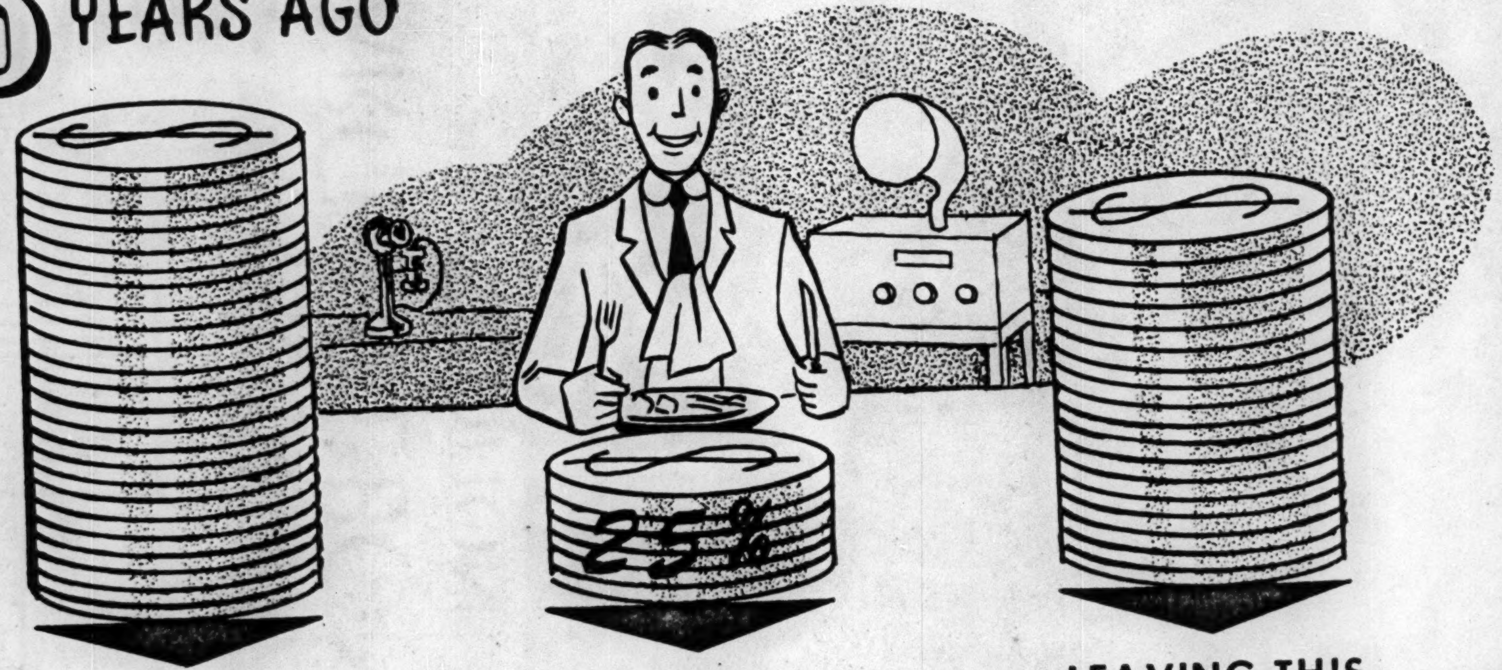
THIS IS A STORY ABOUT FOOD

Recent years have brought sweeping changes in foods—

- In production on the farm
- In processing and distribution
- In the home

Some of these changes, and what they mean to each of us, are outlined on the following pages.

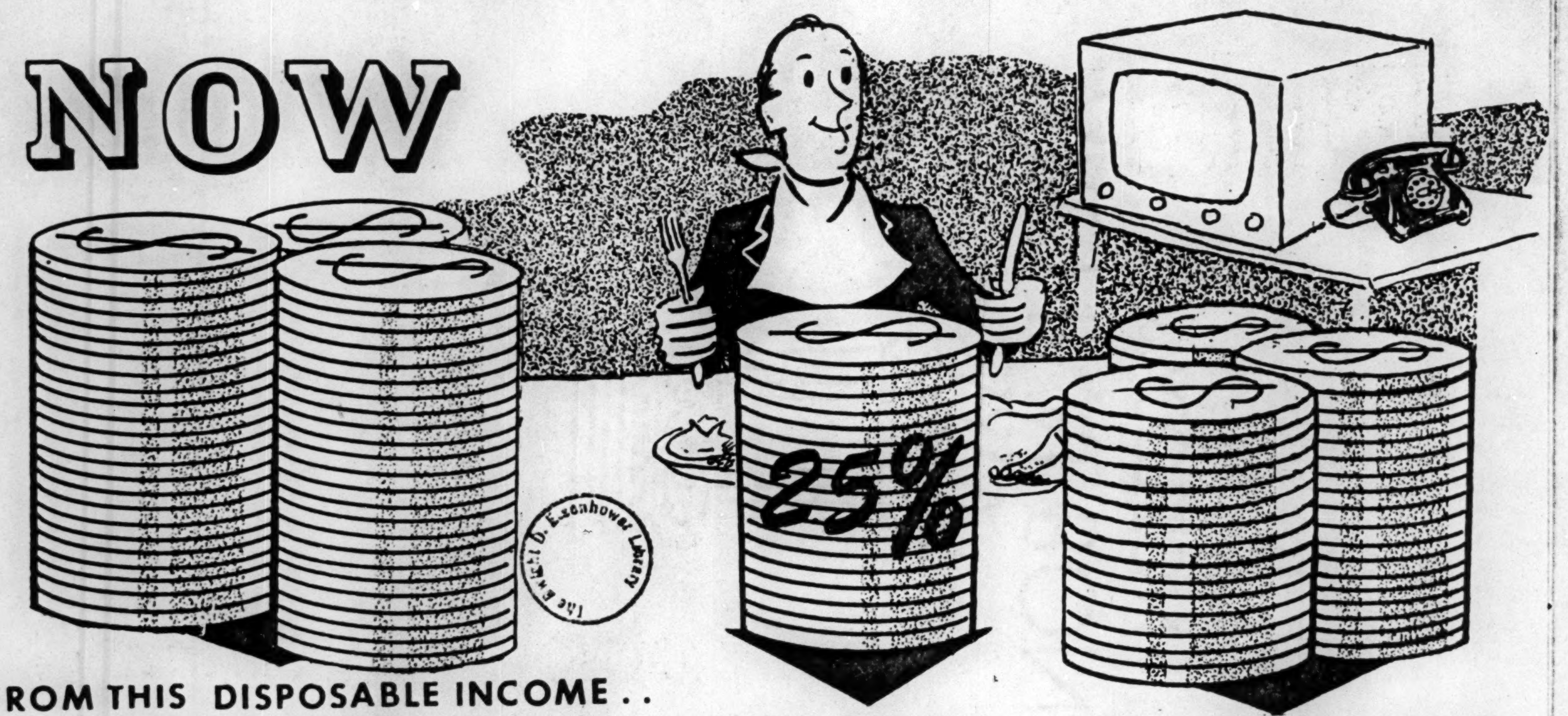
30 YEARS AGO



FROM THIS
DISPOSABLE
INCOME . . .
(Income Per Person After
Income Taxes)

THIS MUCH
WENT FOR
FOOD . . .

LEAVING THIS
MUCH FOR
OTHER USES . . .



FROM THIS DISPOSABLE INCOME . .
(Income Per Person After
Income Taxes)

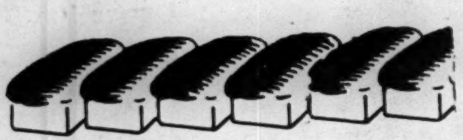
THIS MUCH
GOES FOR FOOD . . .

LEAVING THIS MUCH
FOR OTHER USES

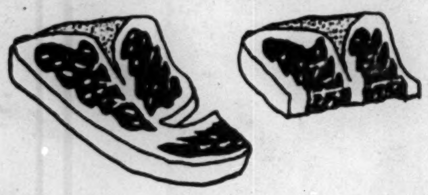
If you ate the same as the average a generation ago, you would spend less than 20 percent of your income for food. But You Are Eating More and Better Foods.

THEN

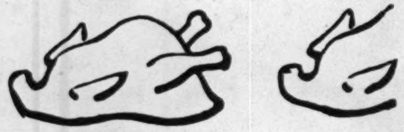
AN HOUR'S "TAKE HOME" PAY WOULD BUY . . .



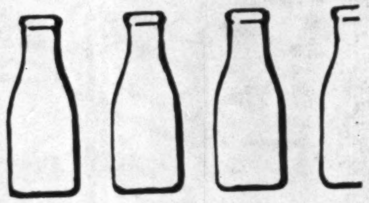
5-½ loaves
of bread



or 1-½ pounds
of steak

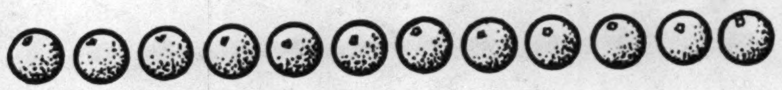


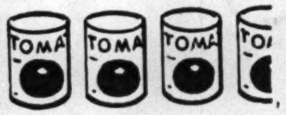
or 1-½ pounds
of chicken



3-½ quarts of milk

or 1 dozen oranges

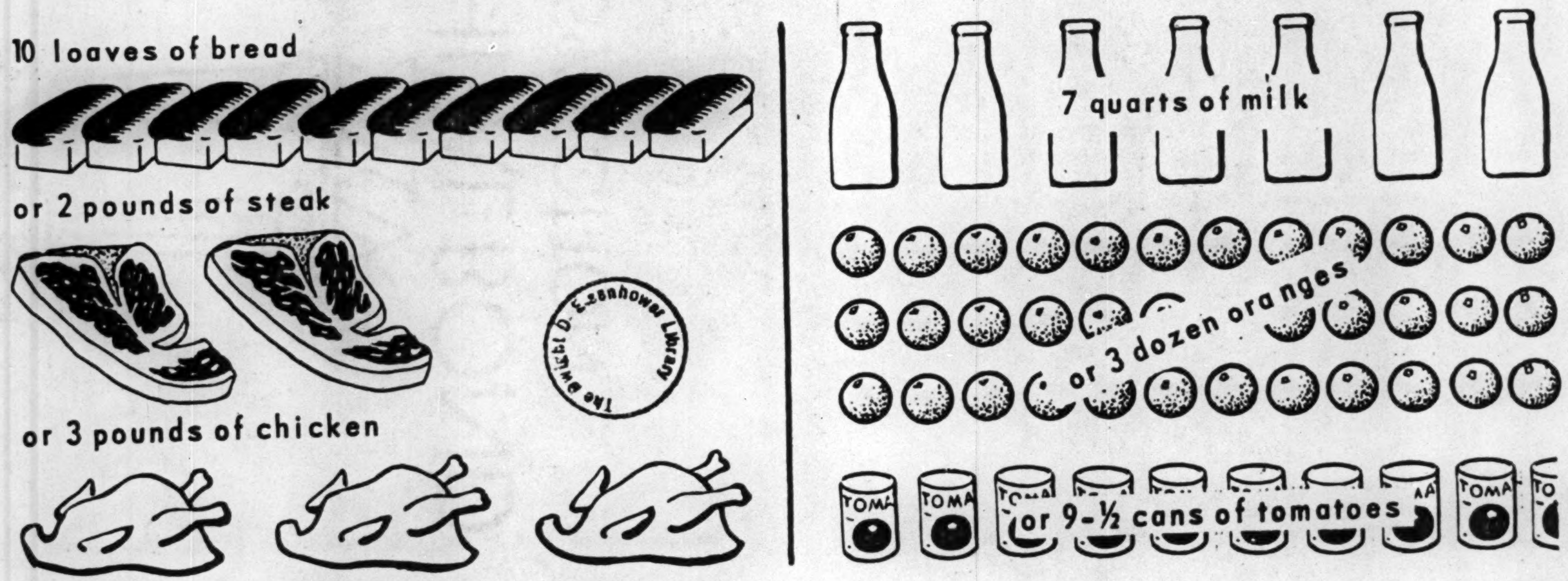




or 3-½ cans of tomatoes

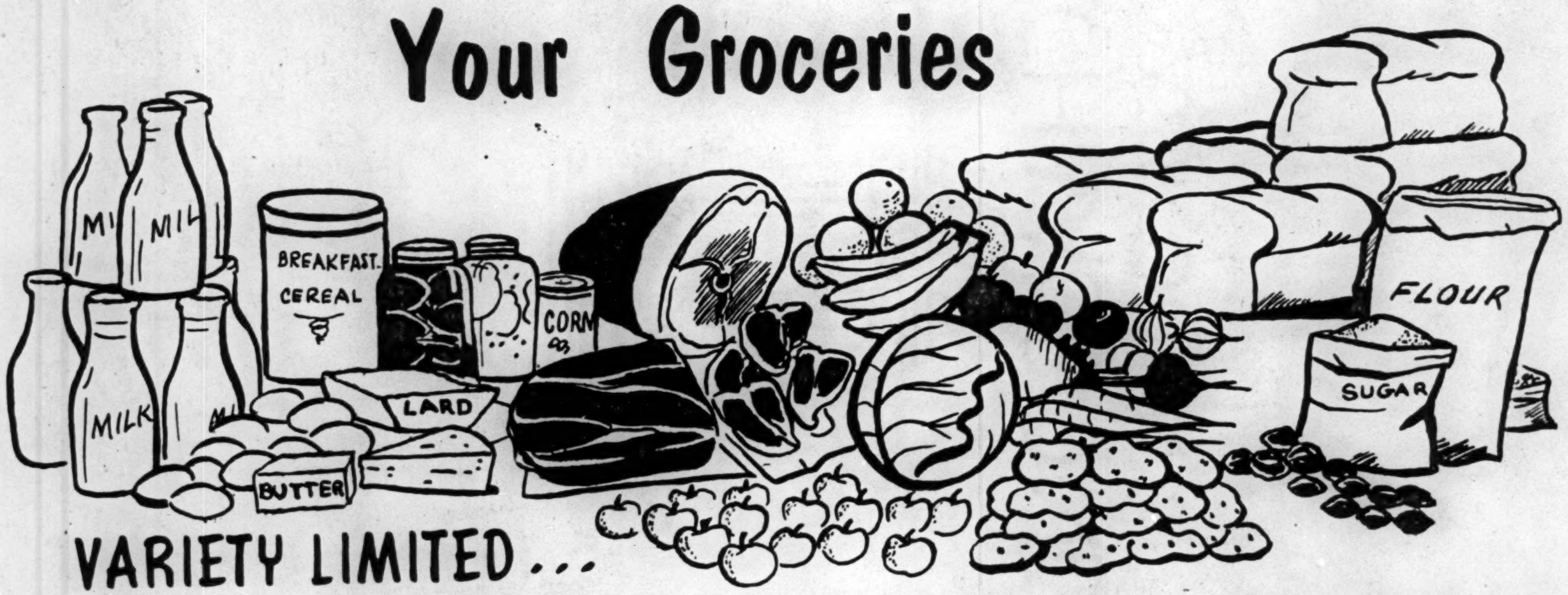
NOW

AN HOUR'S "TAKE HOME" PAY WILL BUY...


10 loaves of bread
or 2 pounds of steak
or 3 pounds of chicken
7 quarts of milk
or 3 dozen oranges
or 9-½ cans of tomatoes
TOMA

30 YEARS AGO THESE WERE

Your Groceries

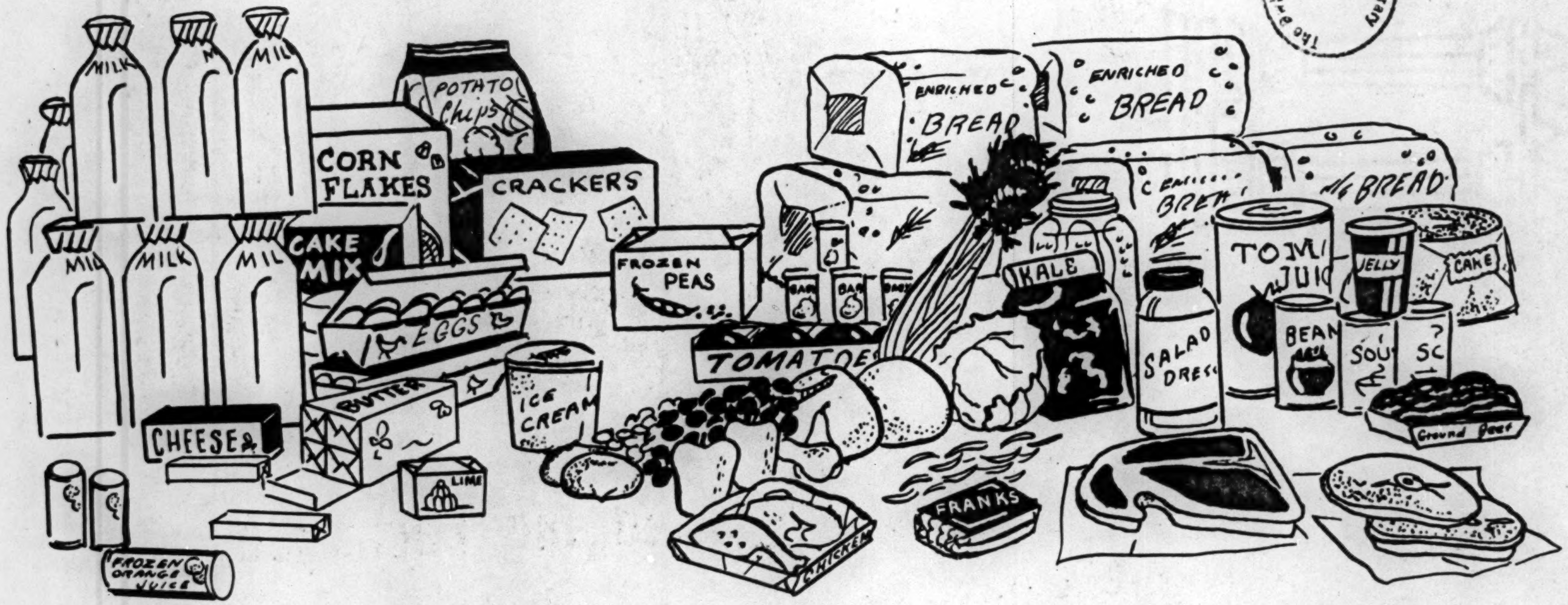


MILK
MILK
MILK
BREAKFAST CEREAL
CORN
LARD
BUTTER
FLOUR
SUGAR

VARIETY LIMITED . . .

LARGELY GOVERNED BY SEASONS !

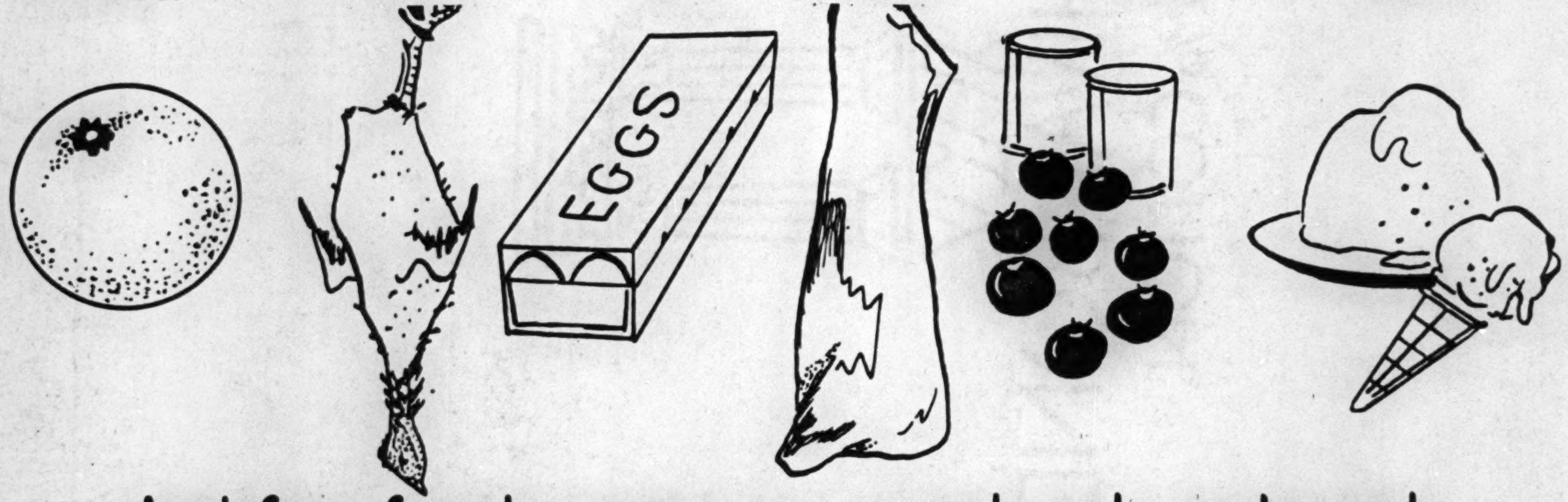
NOW . . They're These!


MILK
MILK
MILK
MILK
MILK
MILK
POTATO Chips
CORN FLAKES
CRACKERS
CAKE MIX
EGGS
CHEESE
BUTTER
LIME
FROZEN ORANGE JUICE
ICE CREAM
FROZEN PEAS
TOMATOES
CHICKEN
ENRICHED BREAD
ENRICHED BREAD
ENRICHED BREAD
BREAD
KALE
SALAD DRESS
TOM JUIC
BEAN
SOU
SC
JELLY
CAKE
Ground Beef
FRANKS

THEN

Consumed per person per year:

ORANGES	CHICKEN	EGGS	BEEF	TOMATOES	ICE CREAM
20 lbs.	14 lbs.	318	59 lbs.	27 lbs.	9 lbs.

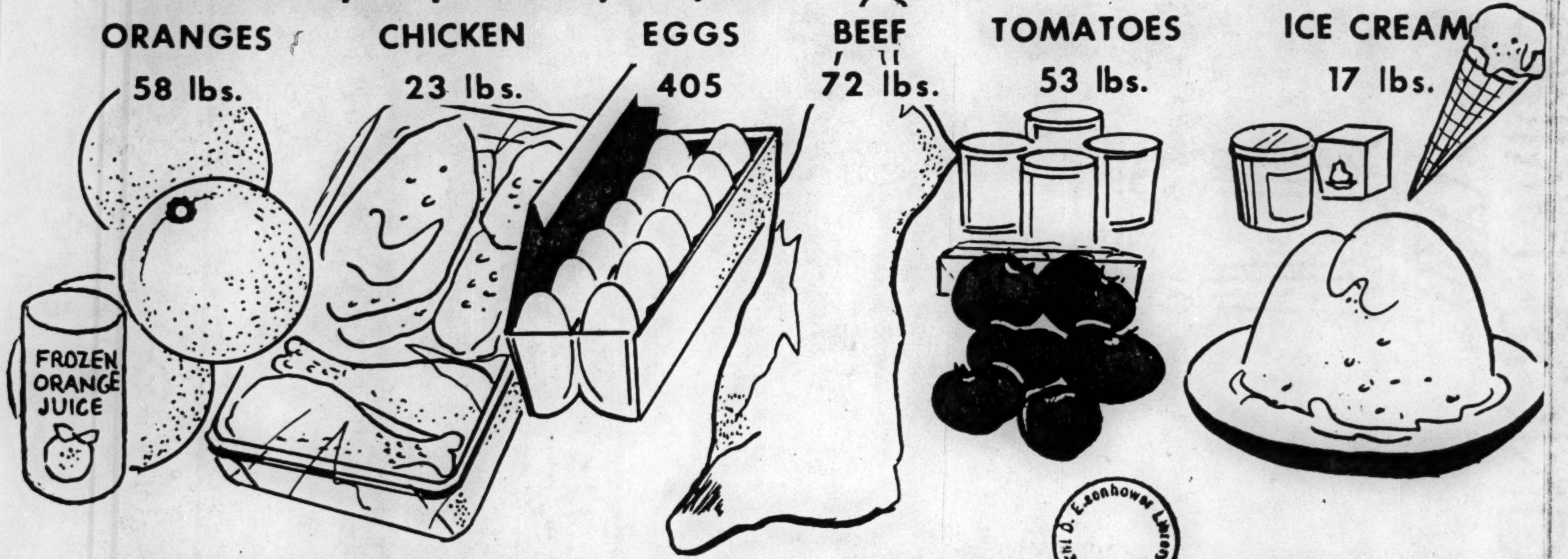


And few foods were processed and packaged for convenient use . . .

NOW

Consumed per person per year:

ORANGES	CHICKEN	EGGS	BEEF	TOMATOES	ICE CREAM
58 lbs.	23 lbs.	405	72 lbs.	53 lbs.	17 lbs.



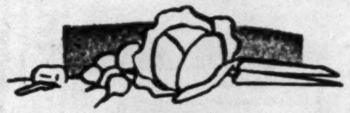
And many foods are canned, frozen, ready-mixed, pre-cooked and packaged in modern containers.

NOW Our Diet is BETTER

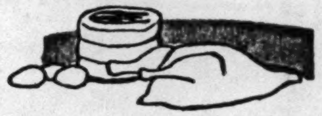
Because We Eat More:

Milk, Cheese, Ice Cream

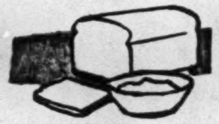
Vegetables and Fruits



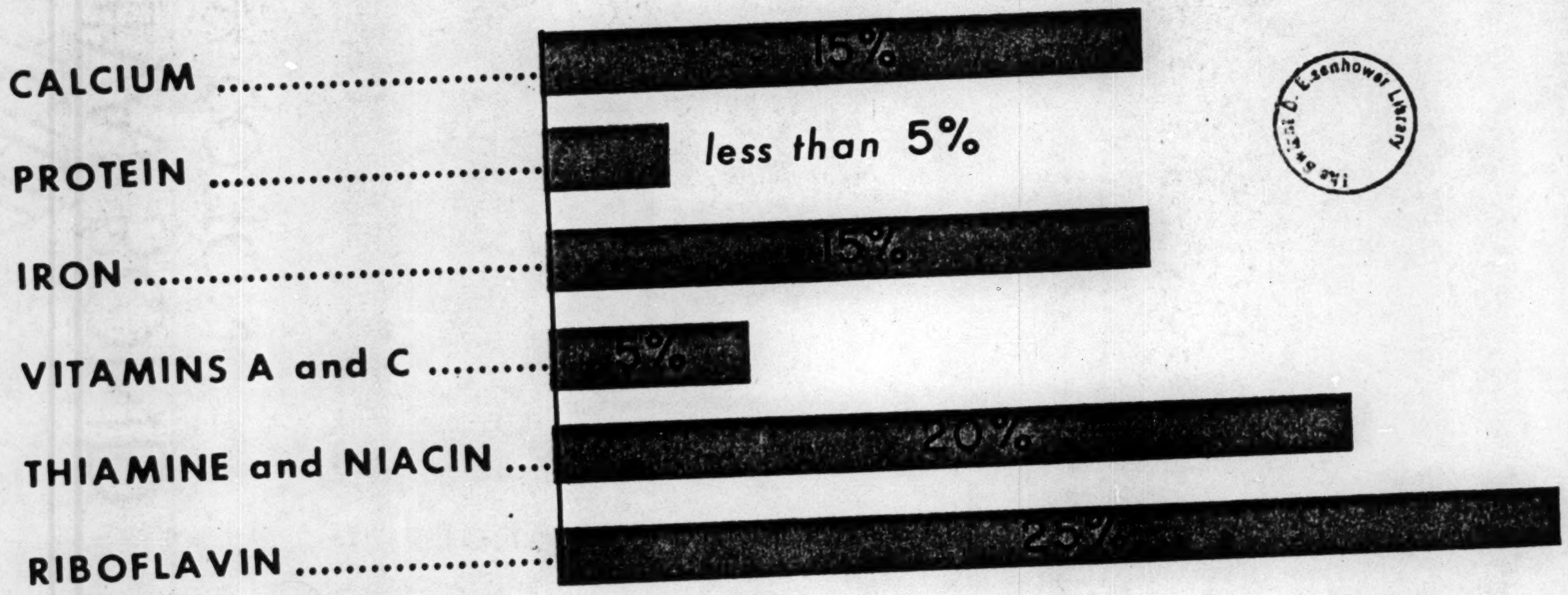
Meat, Poultry, Eggs



and our bread and grain products are enriched

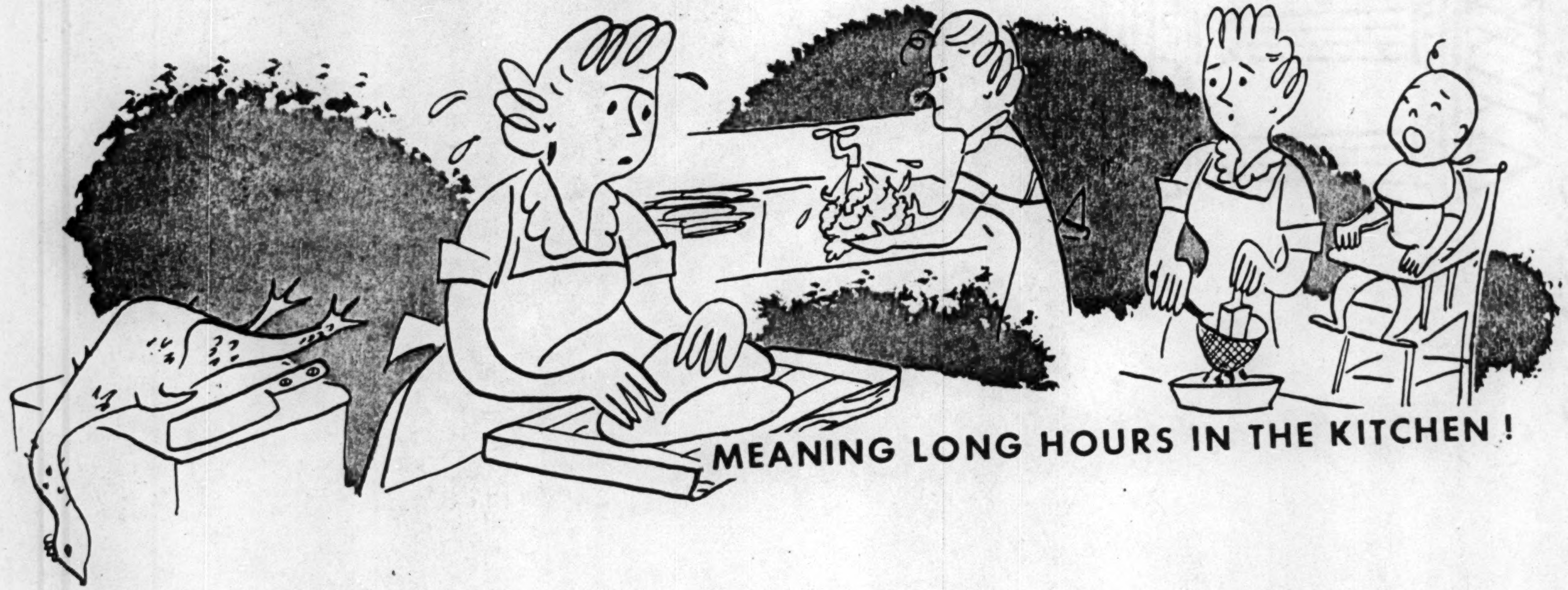


Our Diet Contains More
Of Some Essential Nutrients



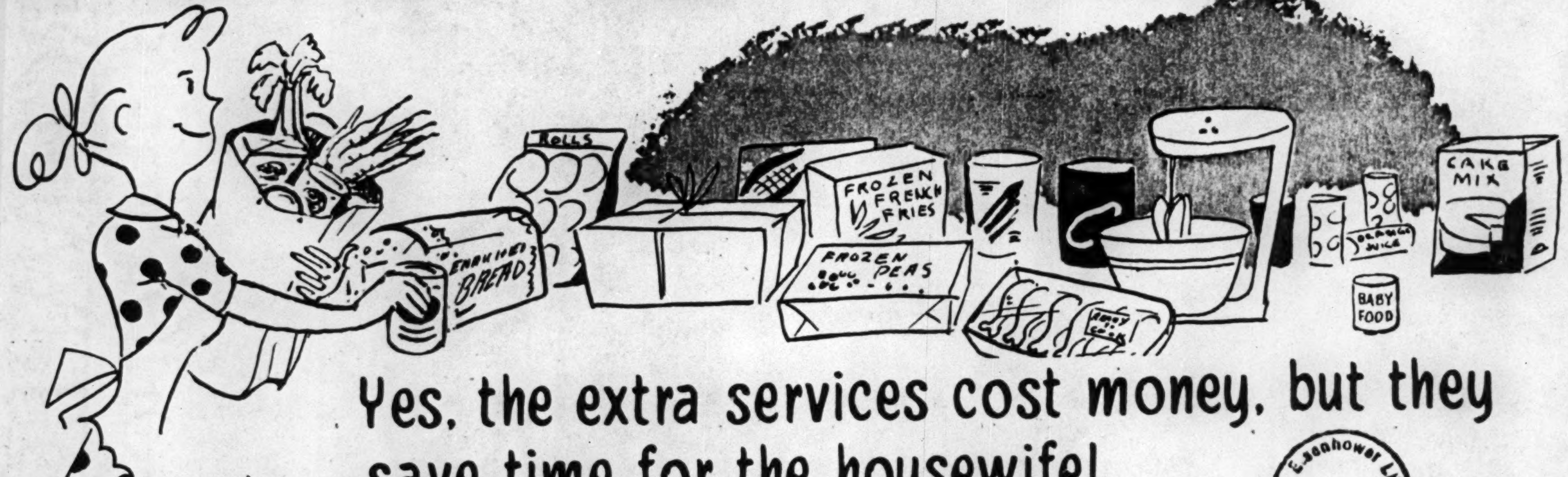
THEN

Most foods had to be prepared at home - and from the beginning - using laborious methods.

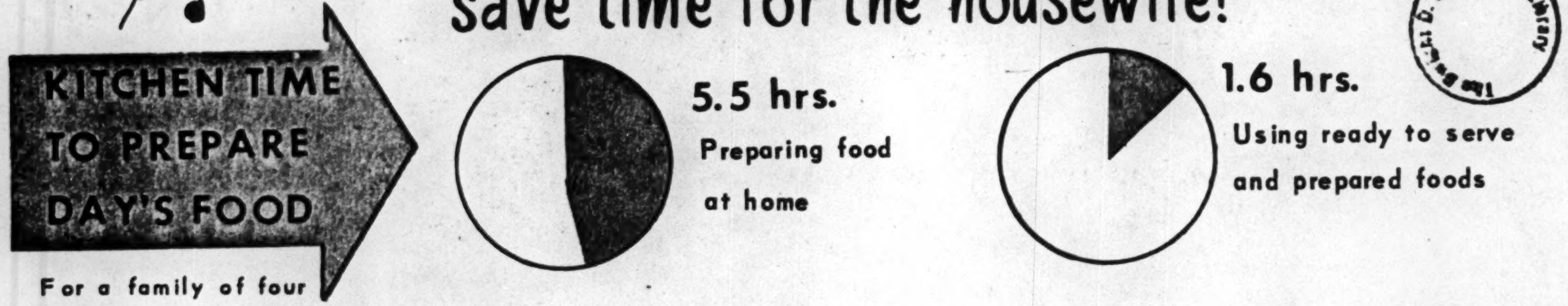


MEANING LONG HOURS IN THE KITCHEN !

NOW You've a Choice

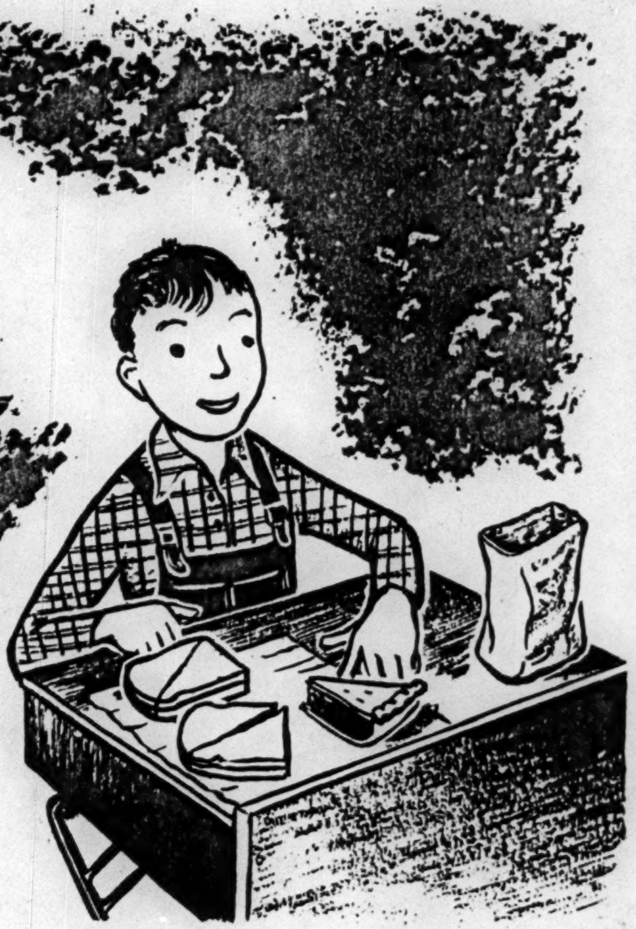

ROLLS
ENRICHED BREAD
FROZEN FRENCH FRIES
FROZEN PEAS
CAKE MIX
ORANGE JUICE
BABY FOOD

Yes, the extra services cost money, but they save time for the housewife!



THEN

When children ate at school,
their lunches were
limited to what
they could
carry from
home . . .

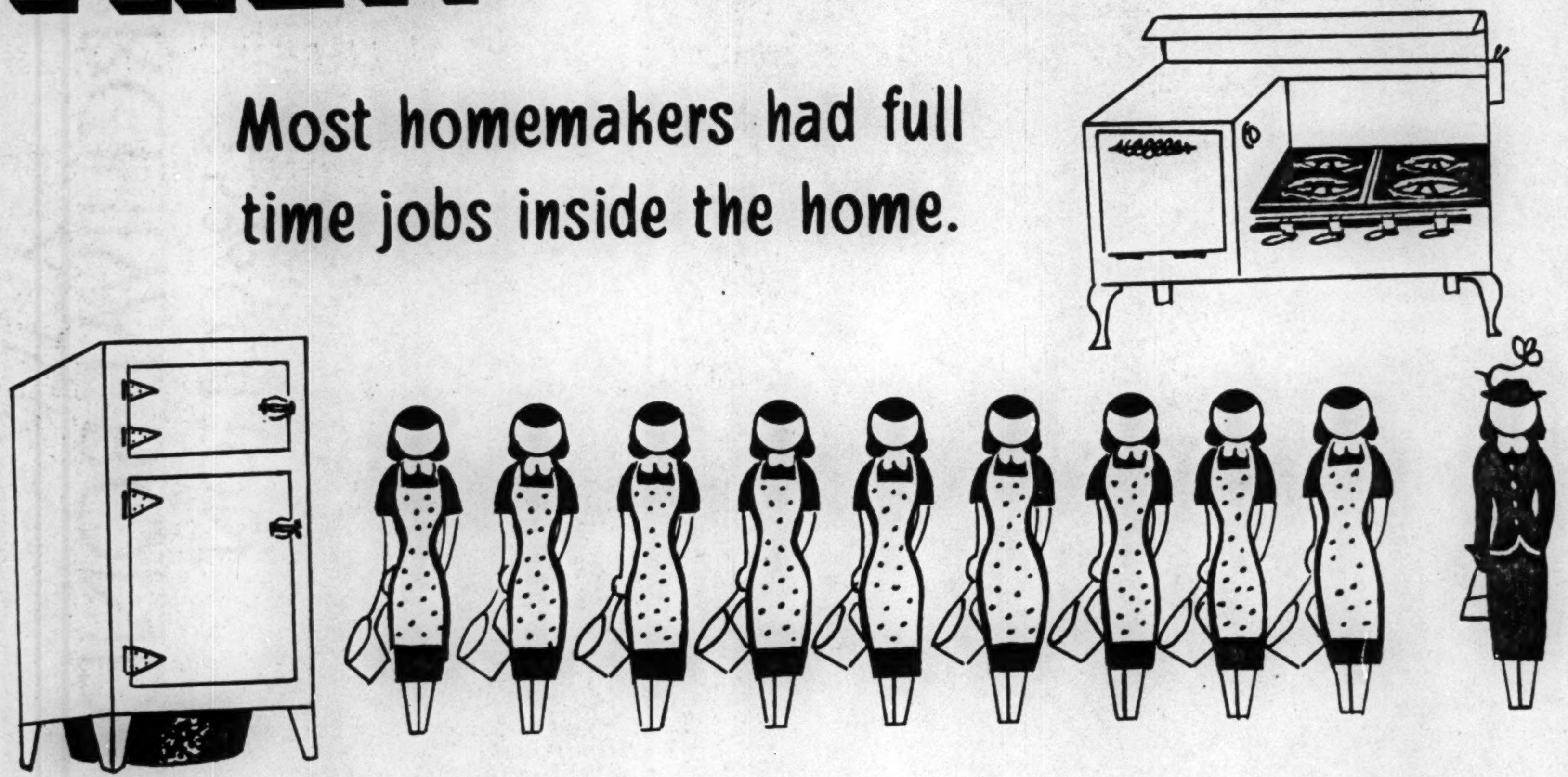


NOW

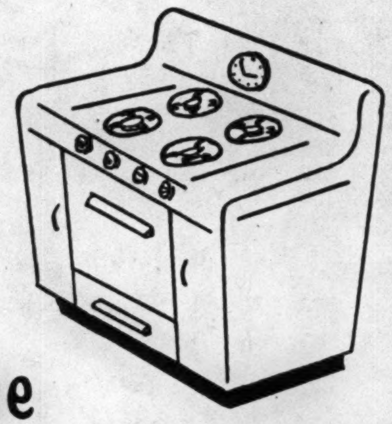
With the National School Lunch Program
serving more than 10 million children—
lunches at school are
well-balanced,
using a wide variety
of nutritious foods.

THEN

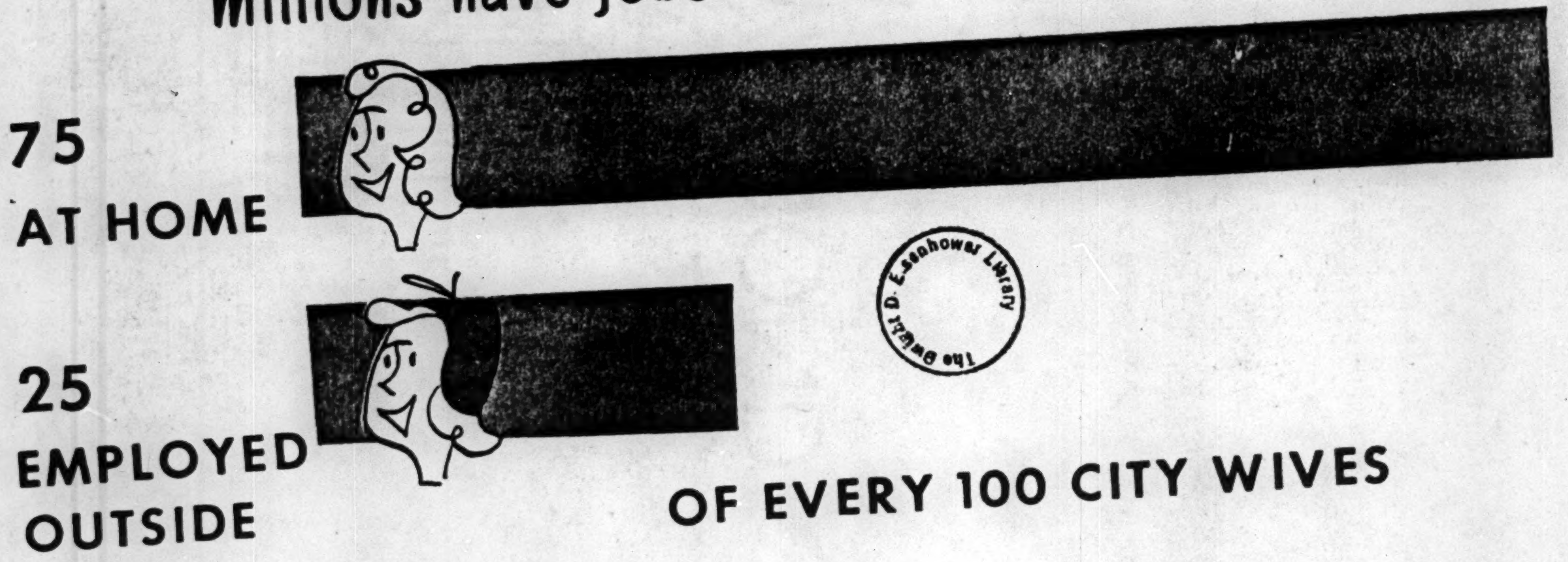
Most homemakers had full time jobs inside the home.



NOW



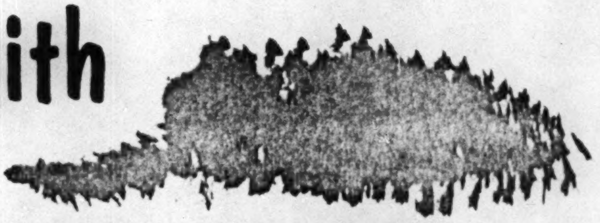
With housework reduced,
millions have jobs outside the home

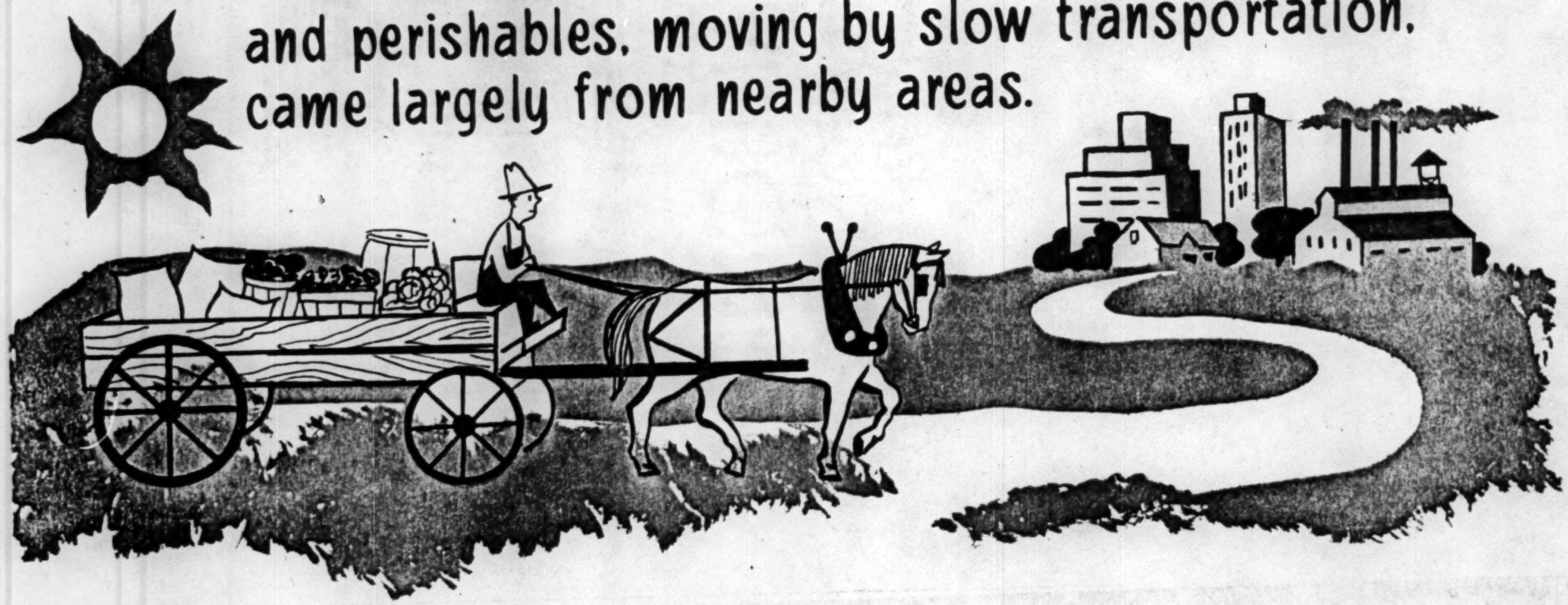


THEN

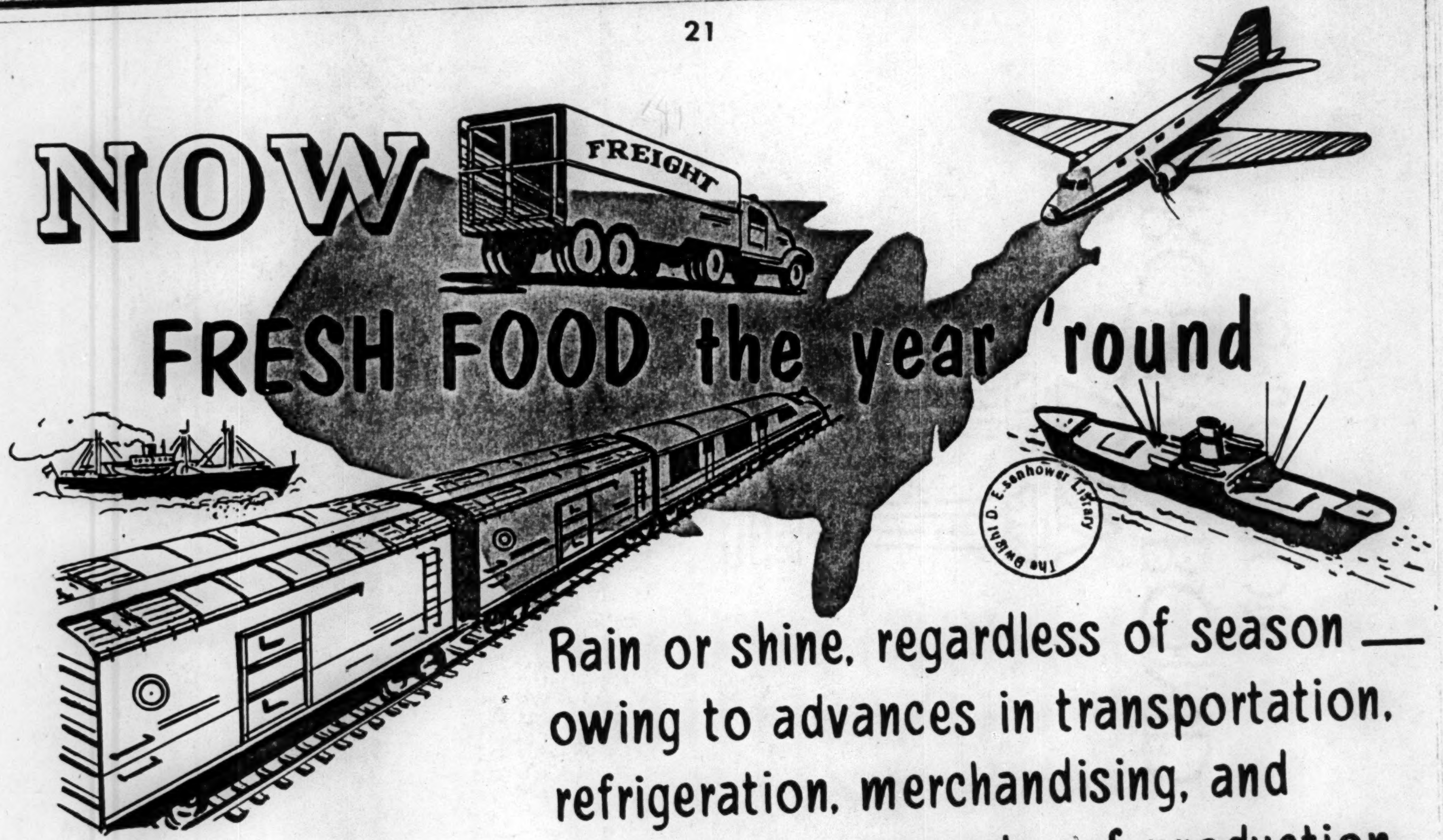
Your food changed with the seasons -

and perishables, moving by slow transportation, came largely from nearby areas.

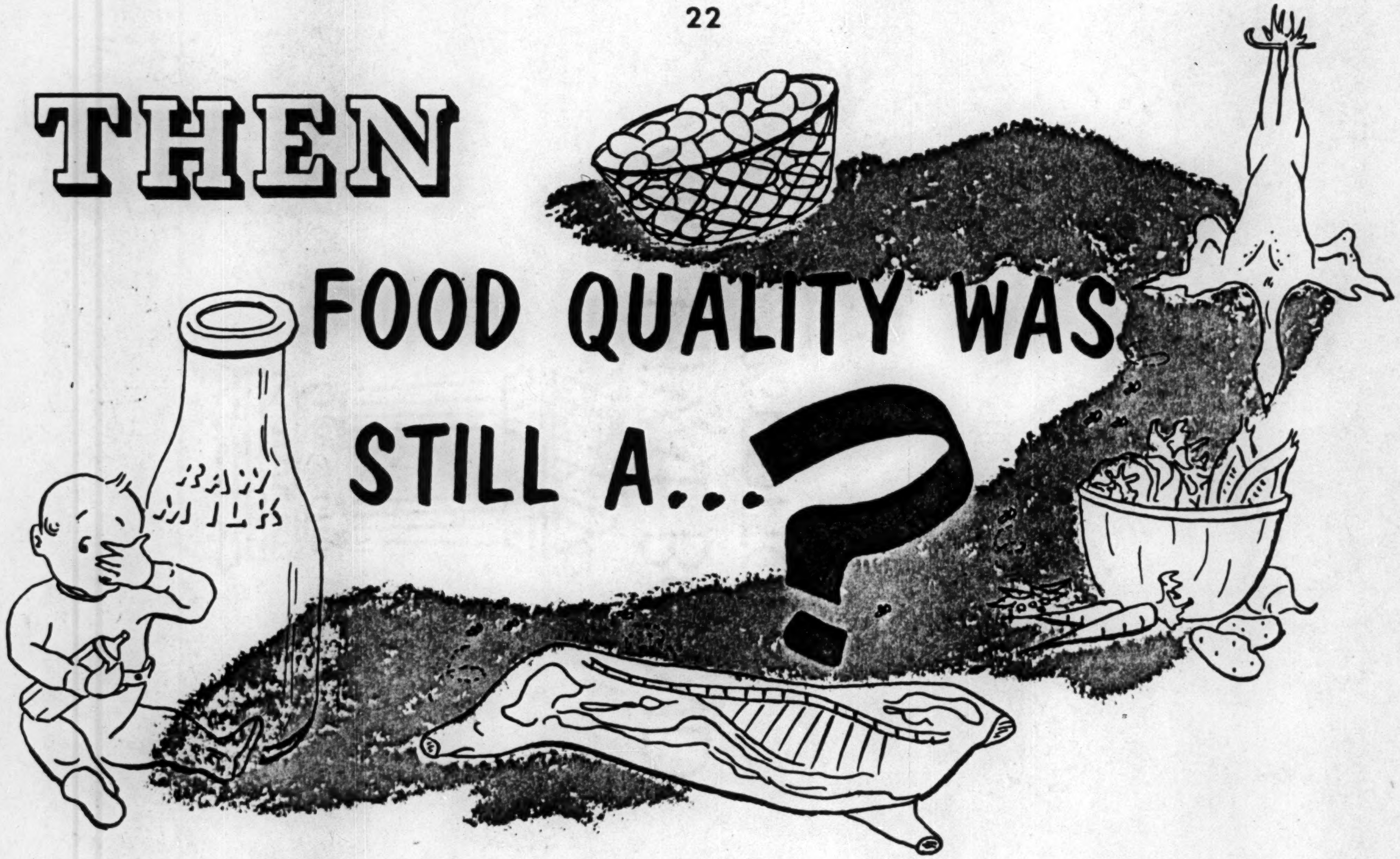




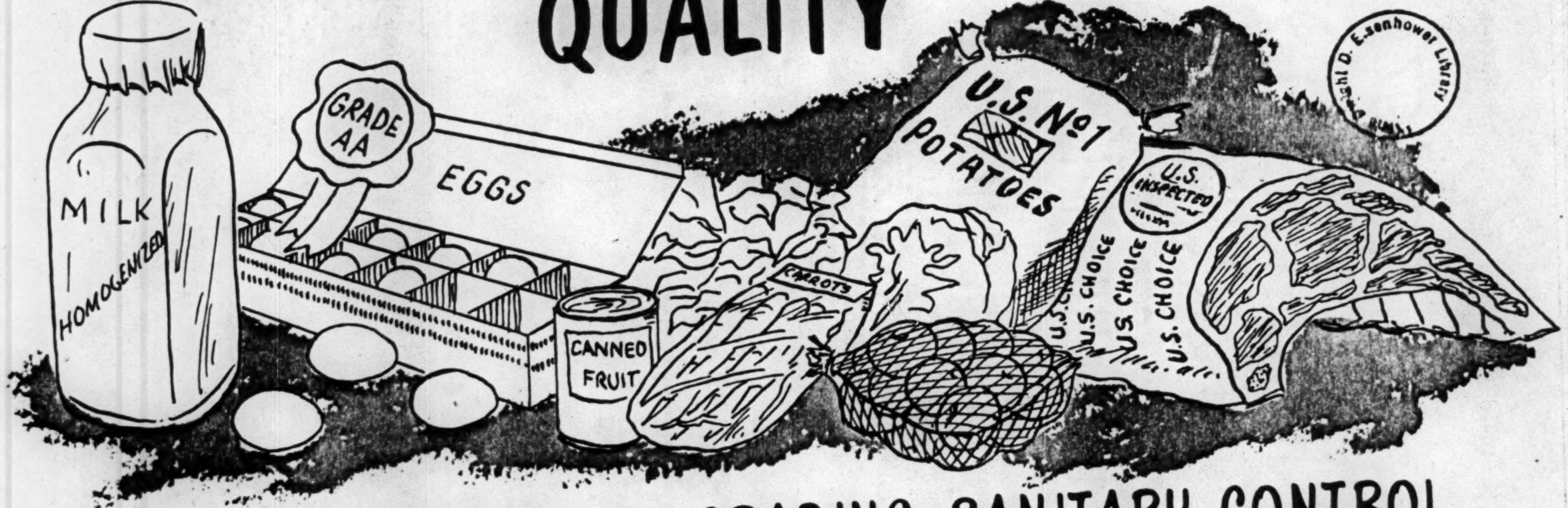
NOW FRESH FOOD the year 'round



Rain or shine, regardless of season — owing to advances in transportation, refrigeration, merchandising, and changes in geography of production.


THEN
FOOD QUALITY WAS
STILL A...?
RAW MILK

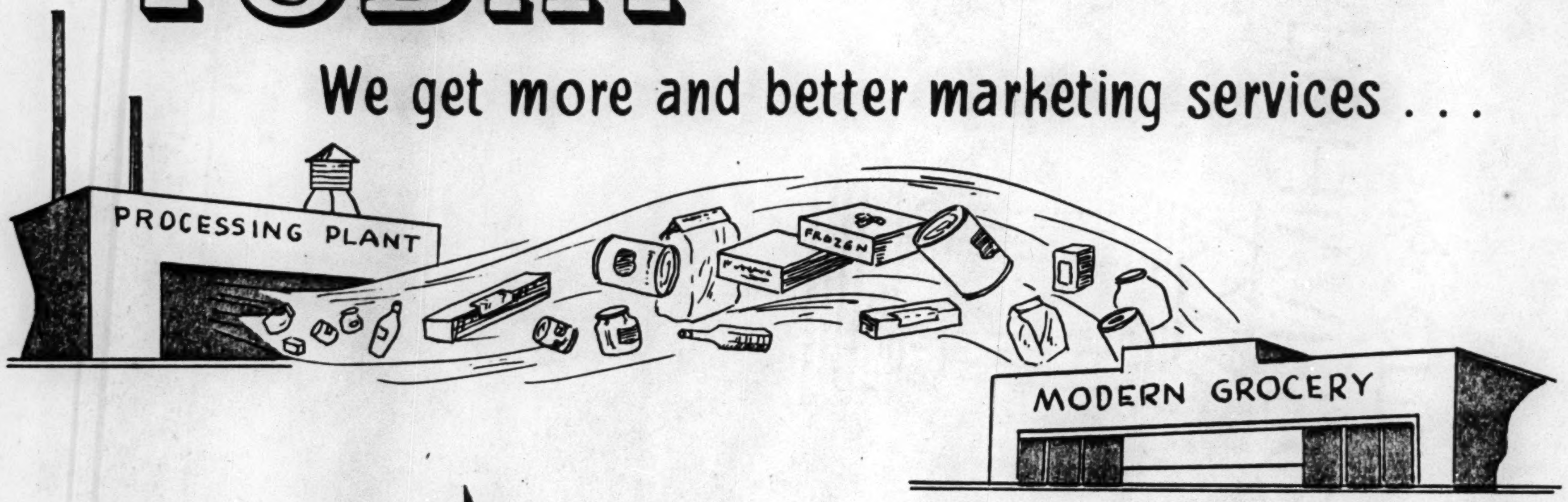
NOW FOODS ARE HIGH IN QUALITY


MILK
HOMOGENIZED
GRADE AA
EGGS
CANNED FRUIT
CARROTS
U.S. No1 POTATOES
U.S. INSPECTED
U.S. CHOICE
U.S. CHOICE
U.S. CHOICE
U.S. CHOICE

OWING TO INSPECTION, GRADING, SANITARY CONTROL IN PRODUCTION AND MARKETING

TODAY

We get more and better marketing services . . .

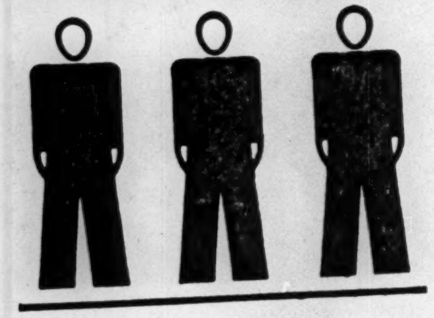

PROCESSING PLANT
FROZEN
MODERN GROCERY

FOODS

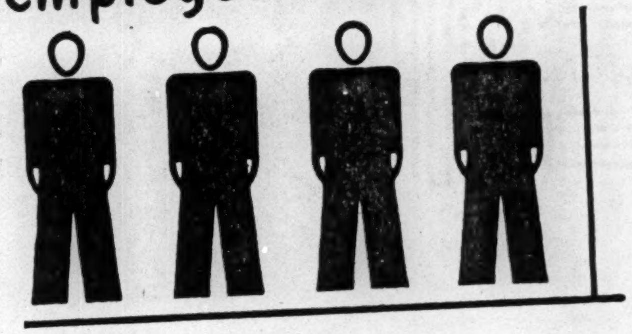
- Fresh-frozen
- Canned
- Precooked
- Packaged
- Ready for use

- **PROVIDING MORE JOBS IN FOOD PROCESSING AND DISTRIBUTION**

For every 3 people
in these industries then . . .



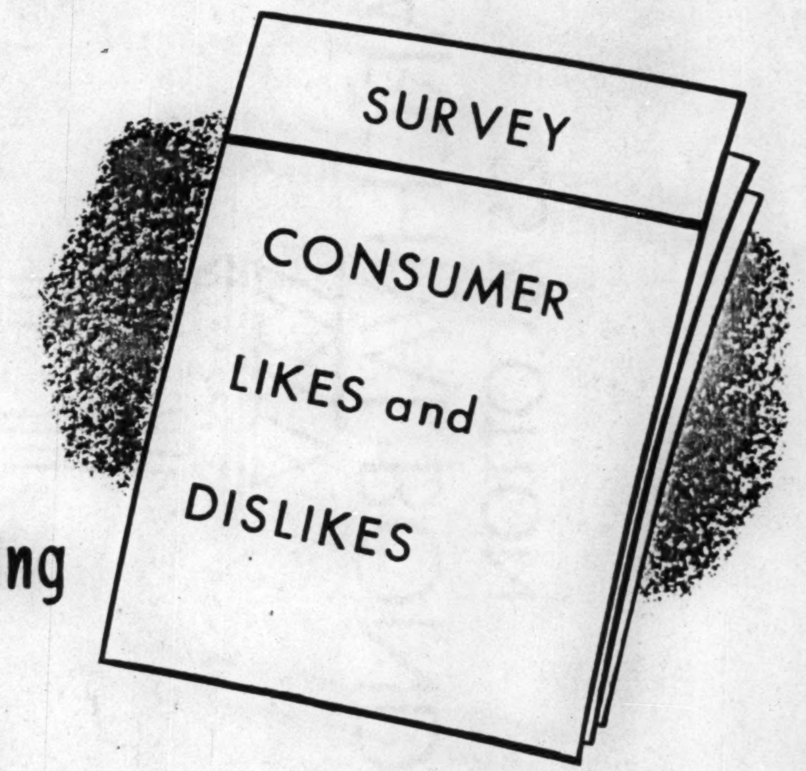
There are 4
employed now . . .



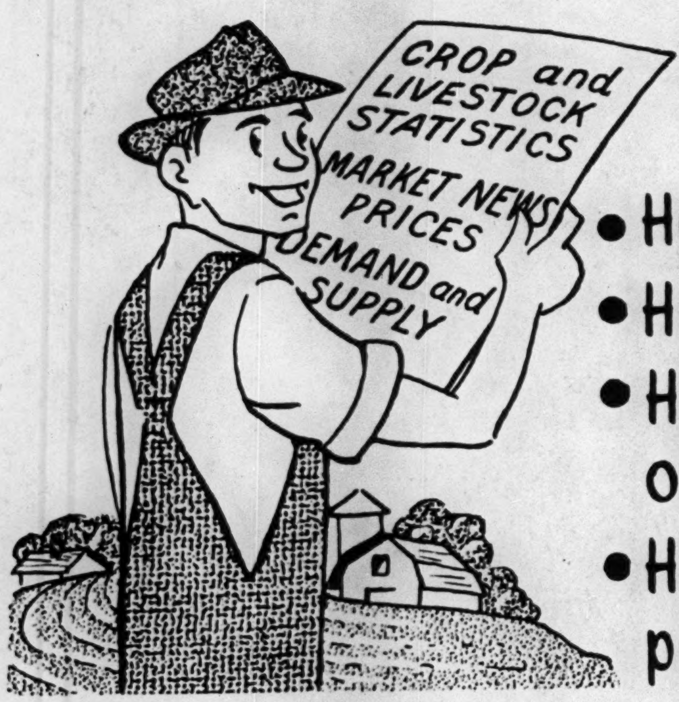
- More factory prepared food
- More restaurant meals
- More people living in cities

WE HAVE MORE AND BETTER
FACTS ON WHAT CONSUMERS WANT

- On their Preferences and Buying Habits . . .
- These enable shifts in marketing and production to meet consumer demands

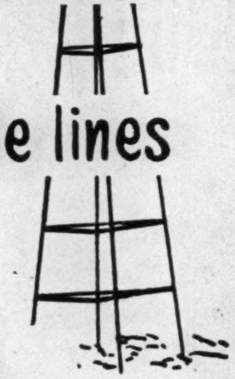

SURVEY
CONSUMER
LIKES and
DISLIKES

Better MARKET INFORMATION

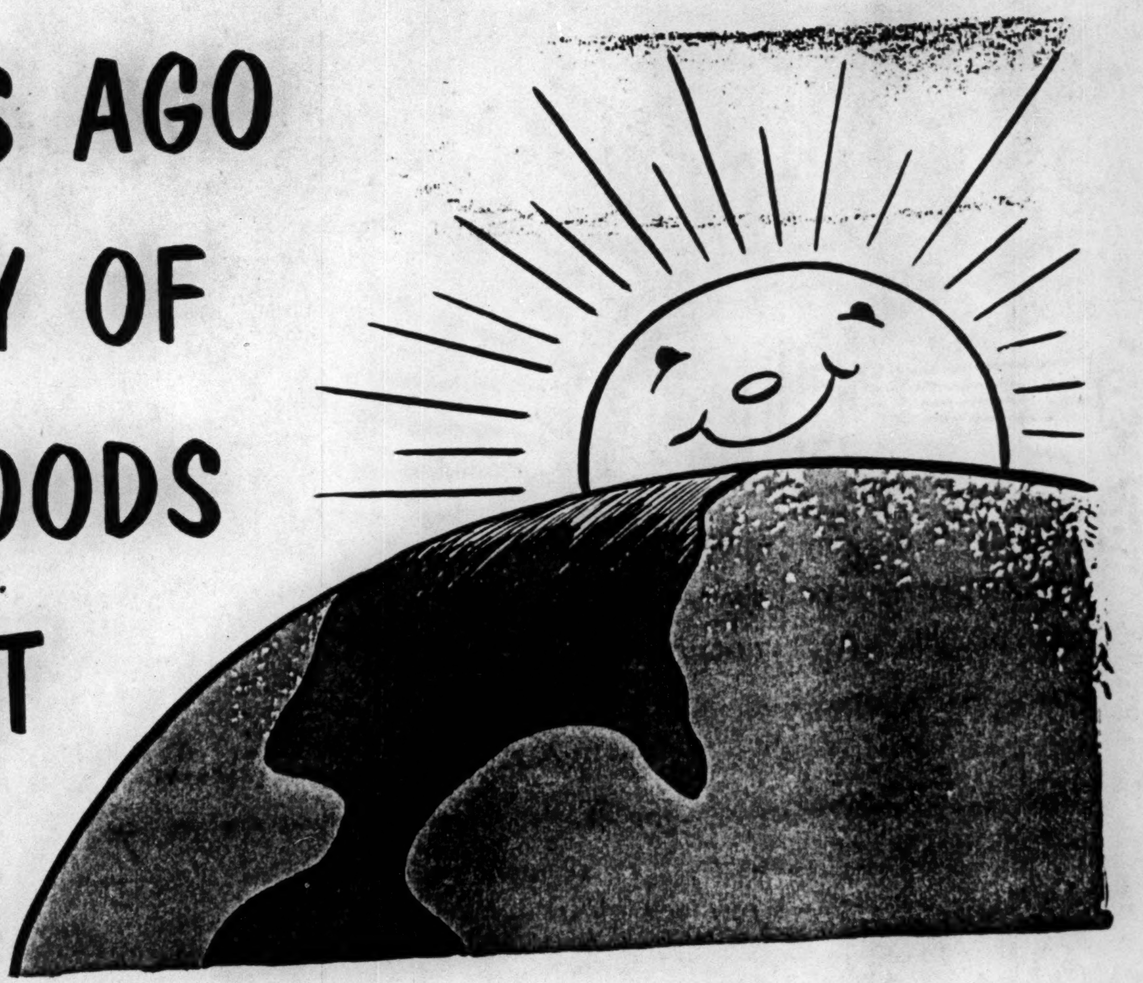

CROP and
LIVESTOCK
STATISTICS
MARKET NEWS
PRICES
DEMAND and
SUPPLY

OUTLOOK
INFORMATION

- Helps prevent surplus and shortage.
- Helps expand consumption.
- Helps farmers find profitable lines of production.
- Helps prevent waste in production and distribution.



30 YEARS AGO
THE DAY OF
BETTER FOODS
WAS JUST
DAWNING

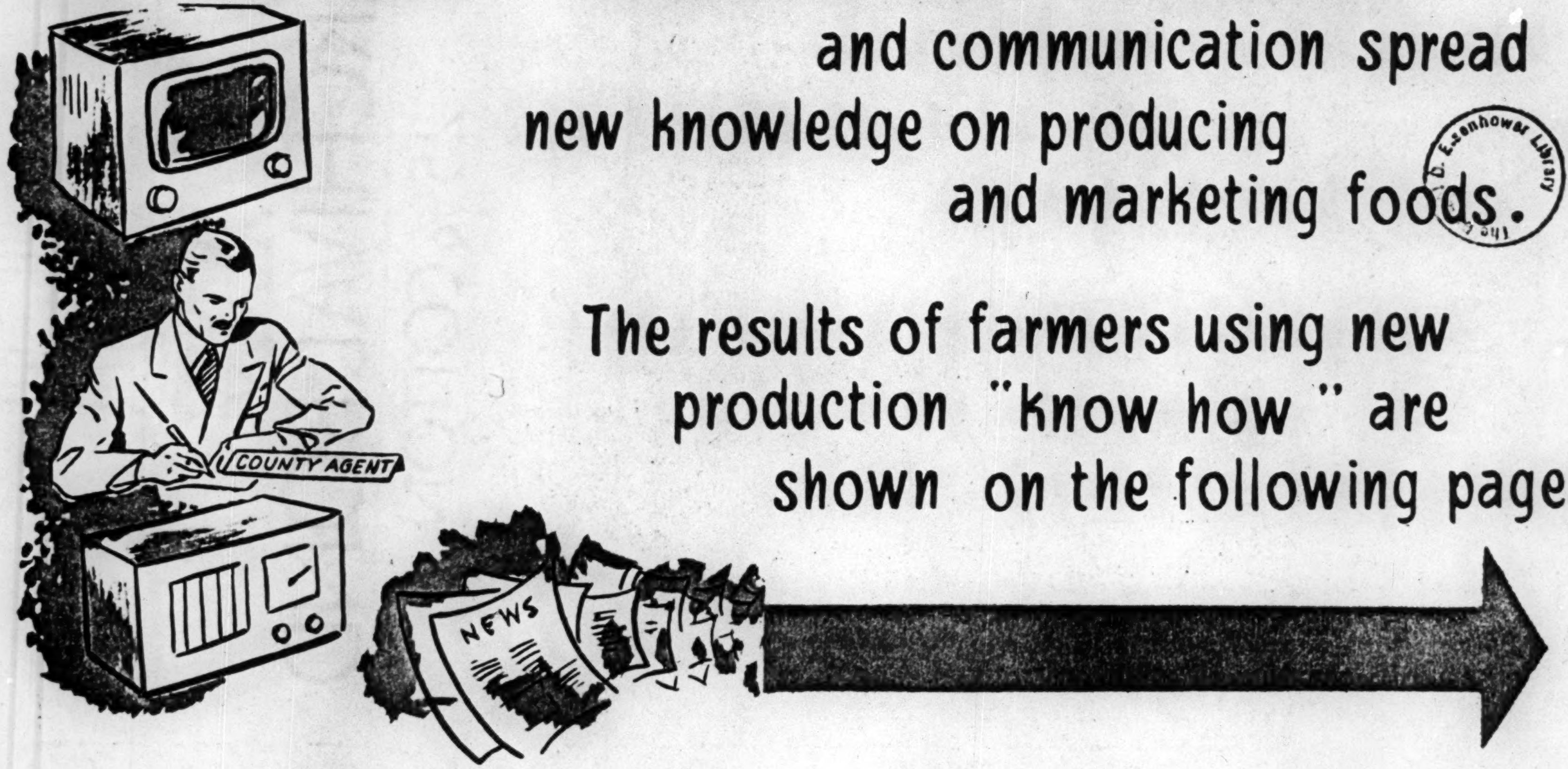


NOW

Modern methods of education
and communication spread
new knowledge on producing
and marketing foods.

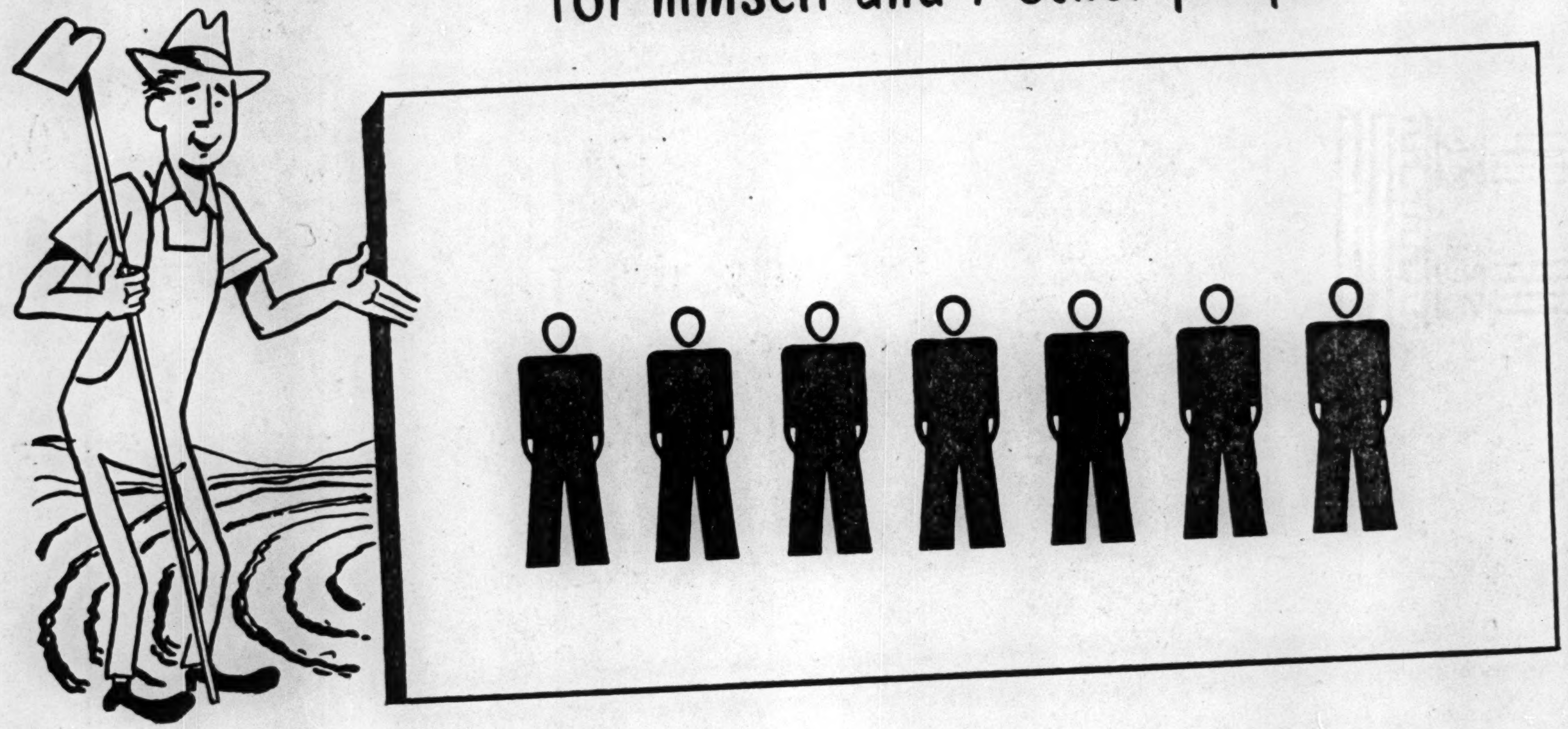
The D. Eisenhower Library

The results of farmers using new
production "know how" are
shown on the following pages.



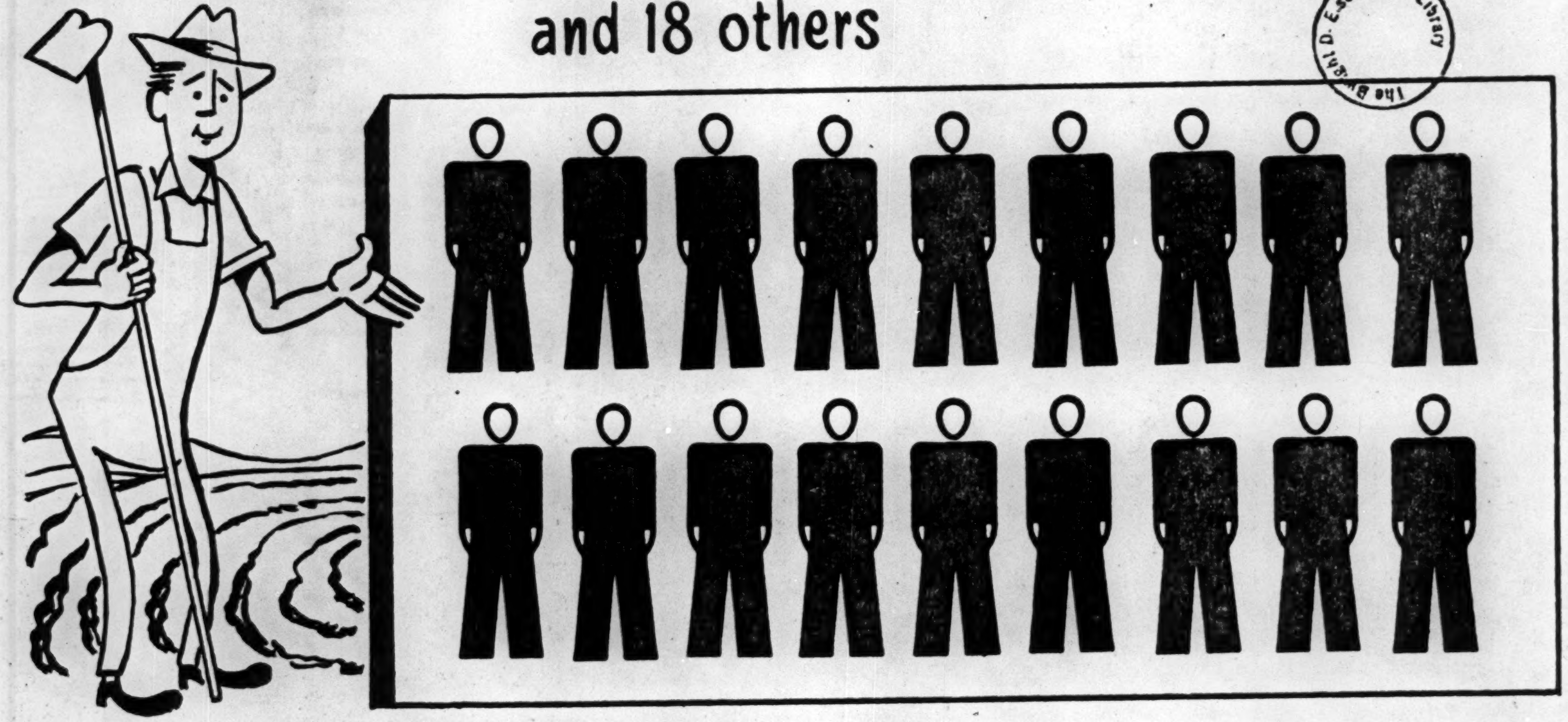
THEN

Each farm worker produced enough for himself and 7 other people



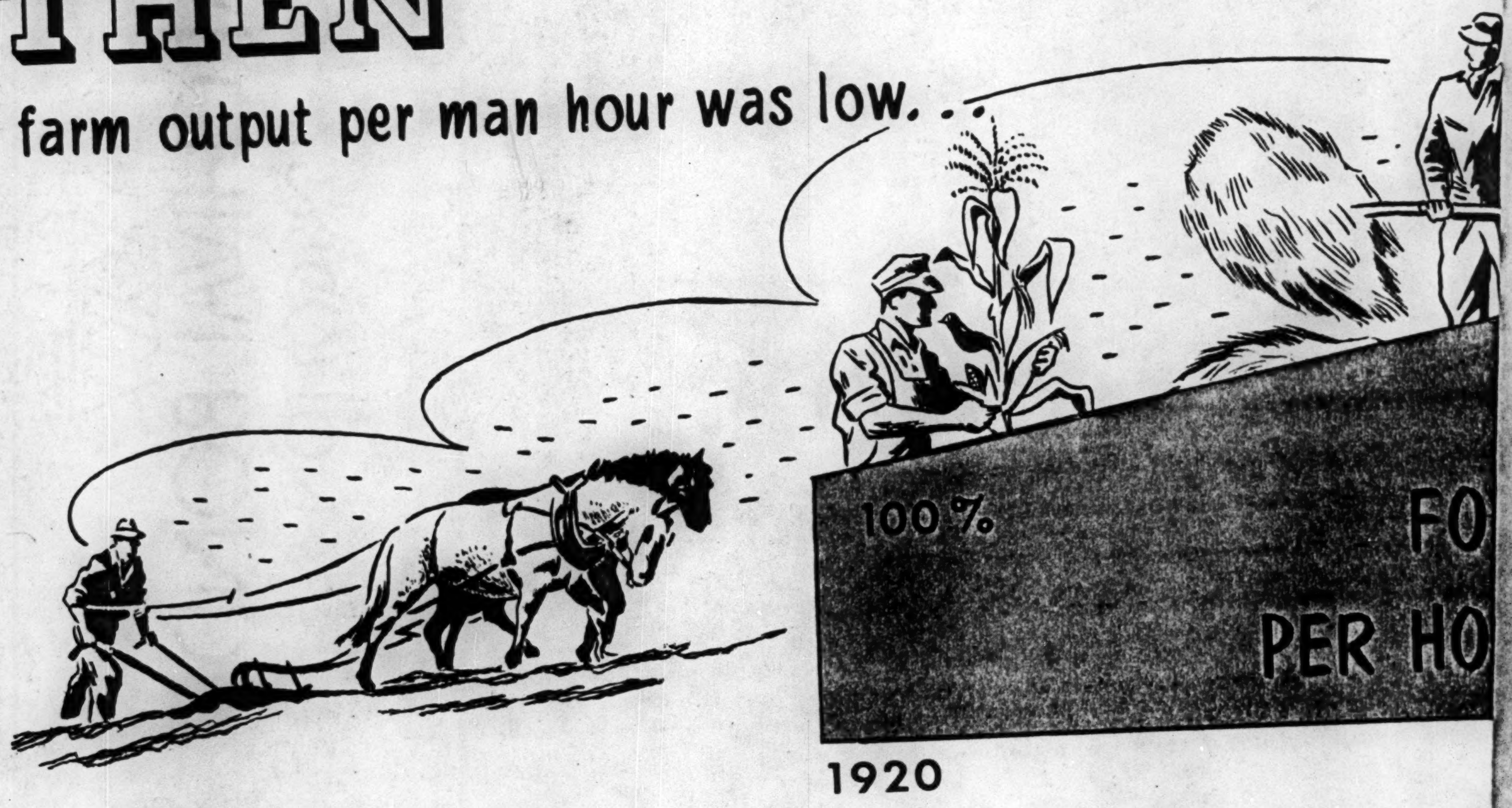
NOW

He produces enough for himself
and 18 others

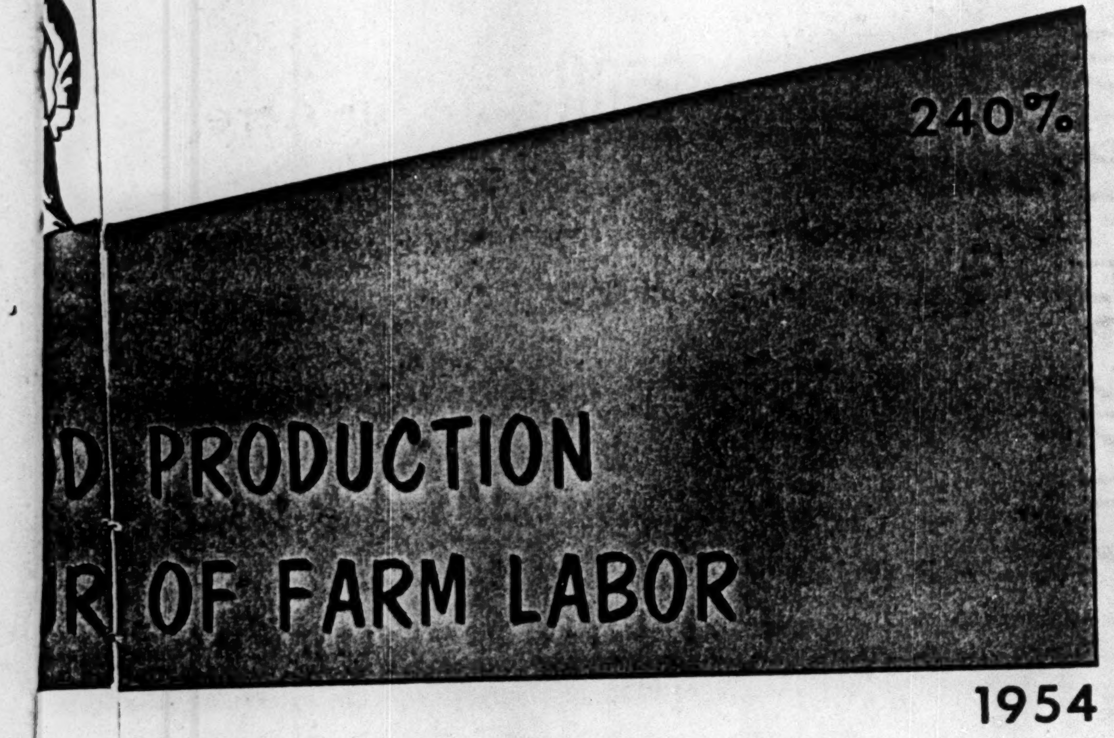


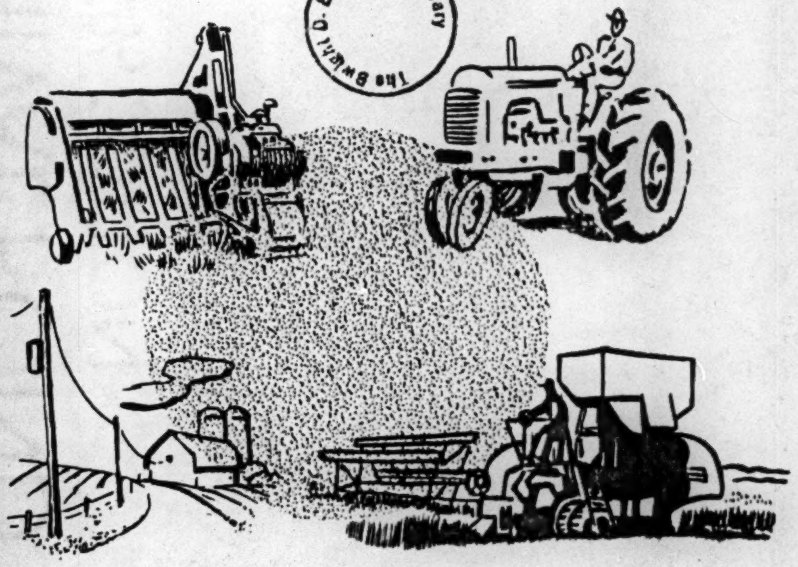
THEN

farm output per man hour was low. . .


100%
FO
PER HO
1920

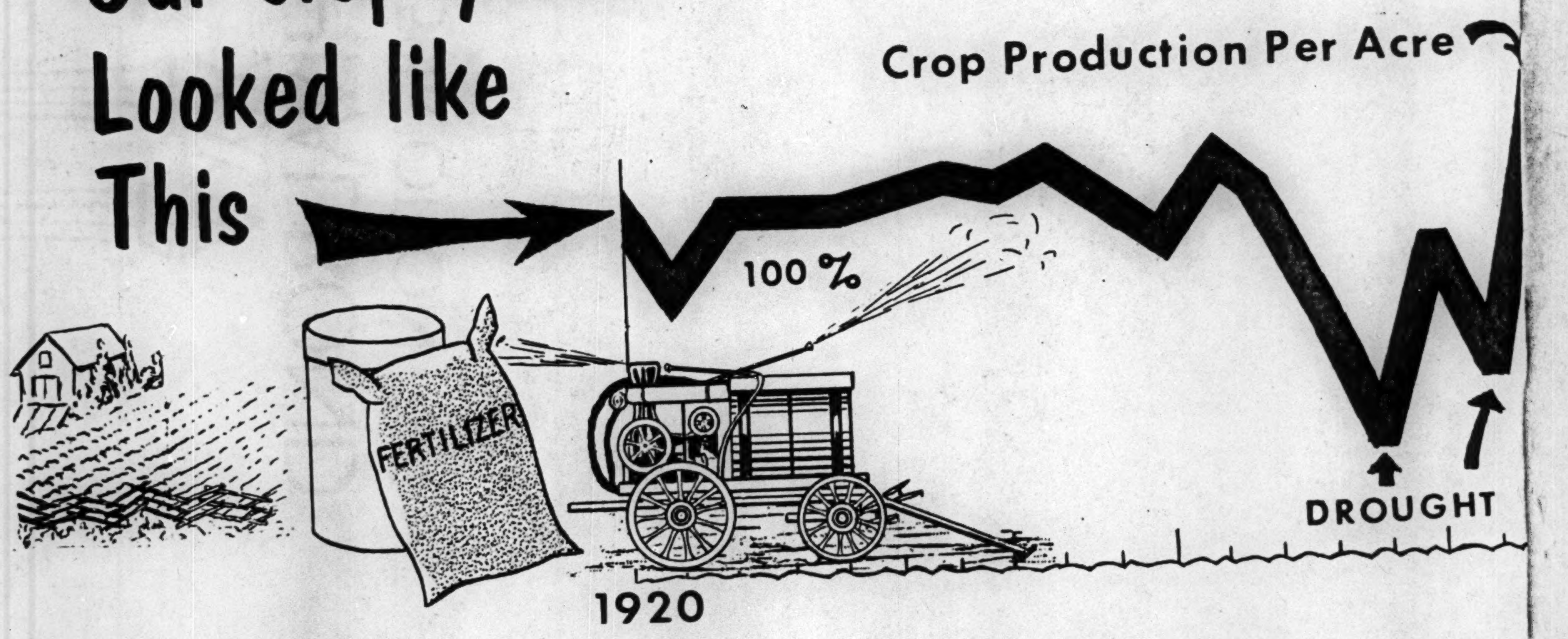
NOW It's more than **doubled!**



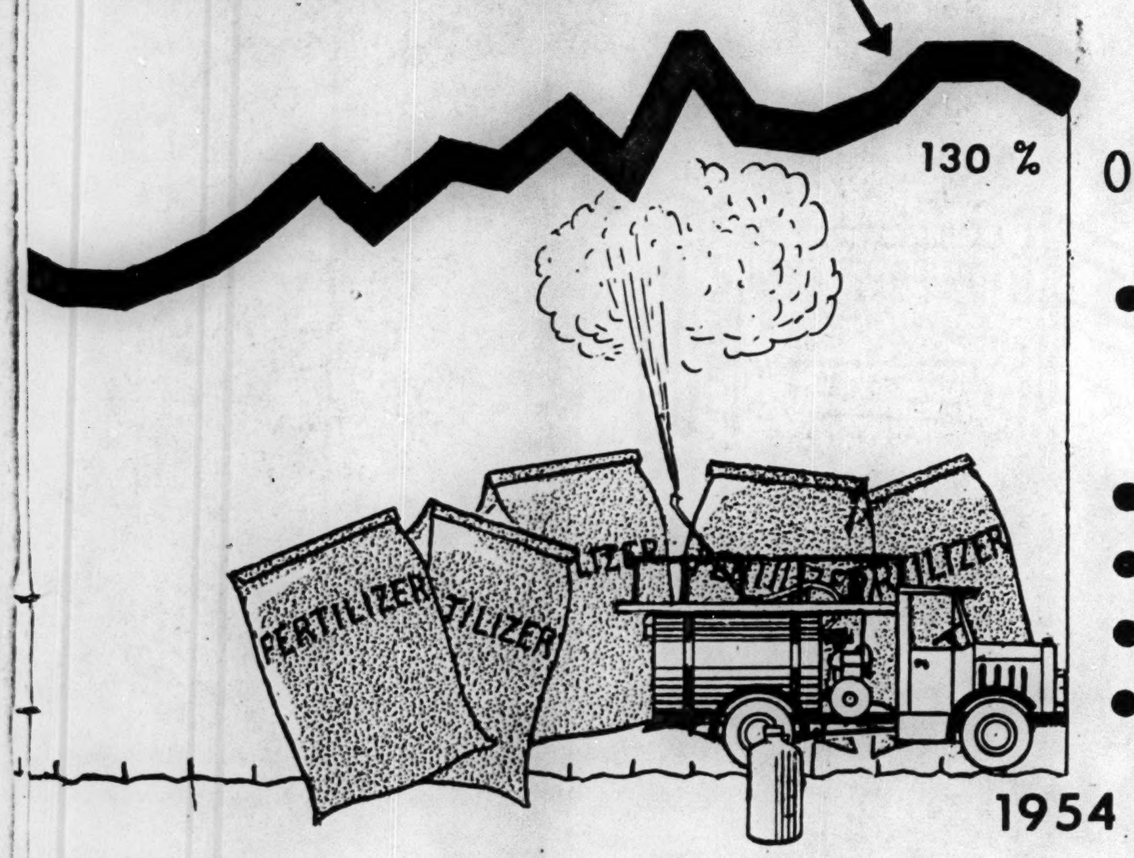


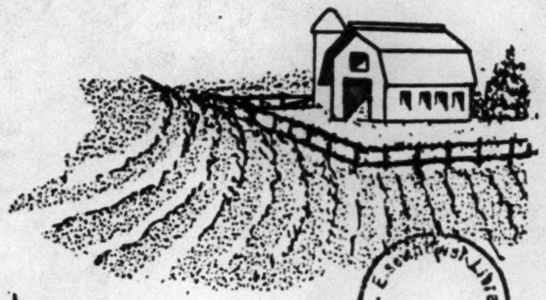
THEN

Our crop yields
Looked like
This


Crop Production Per Acre
100 %
FERTILIZER
1920
DROUGHT

NOW Like this



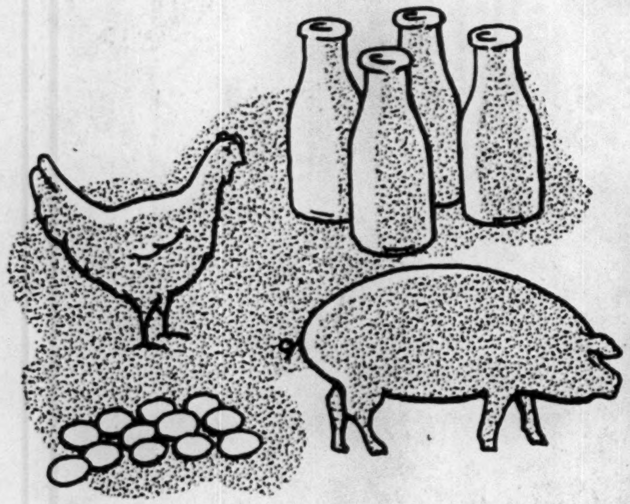


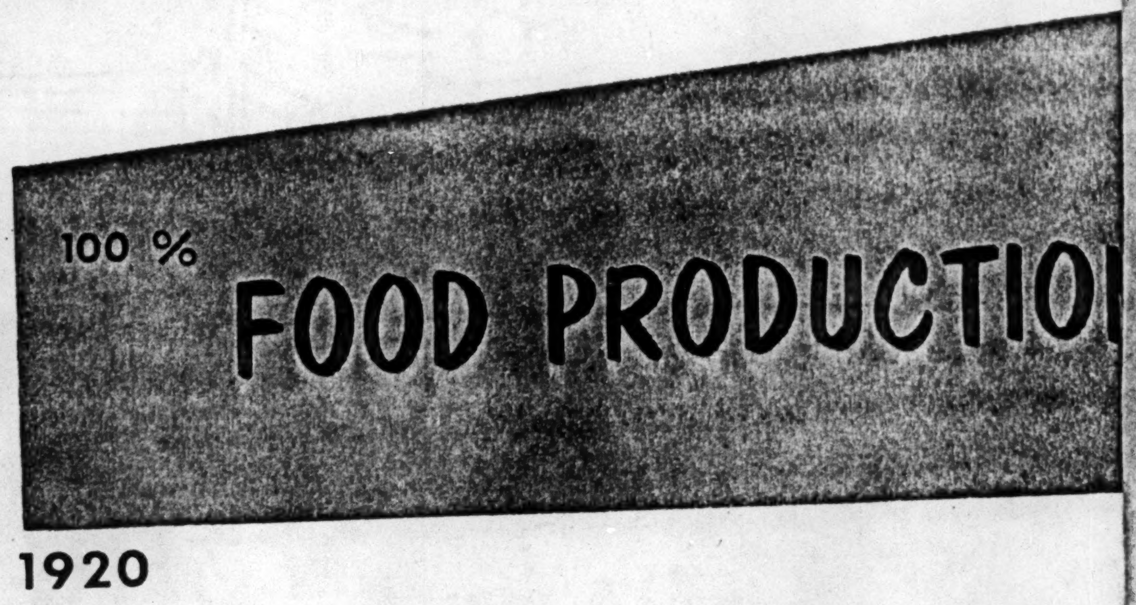
Owing to

- Use of more and better fertilizer, insecticides, fungicides.
- hybrid corn
- improved seed varieties.
- better tools and techniques.
- conservation of soil and water resources

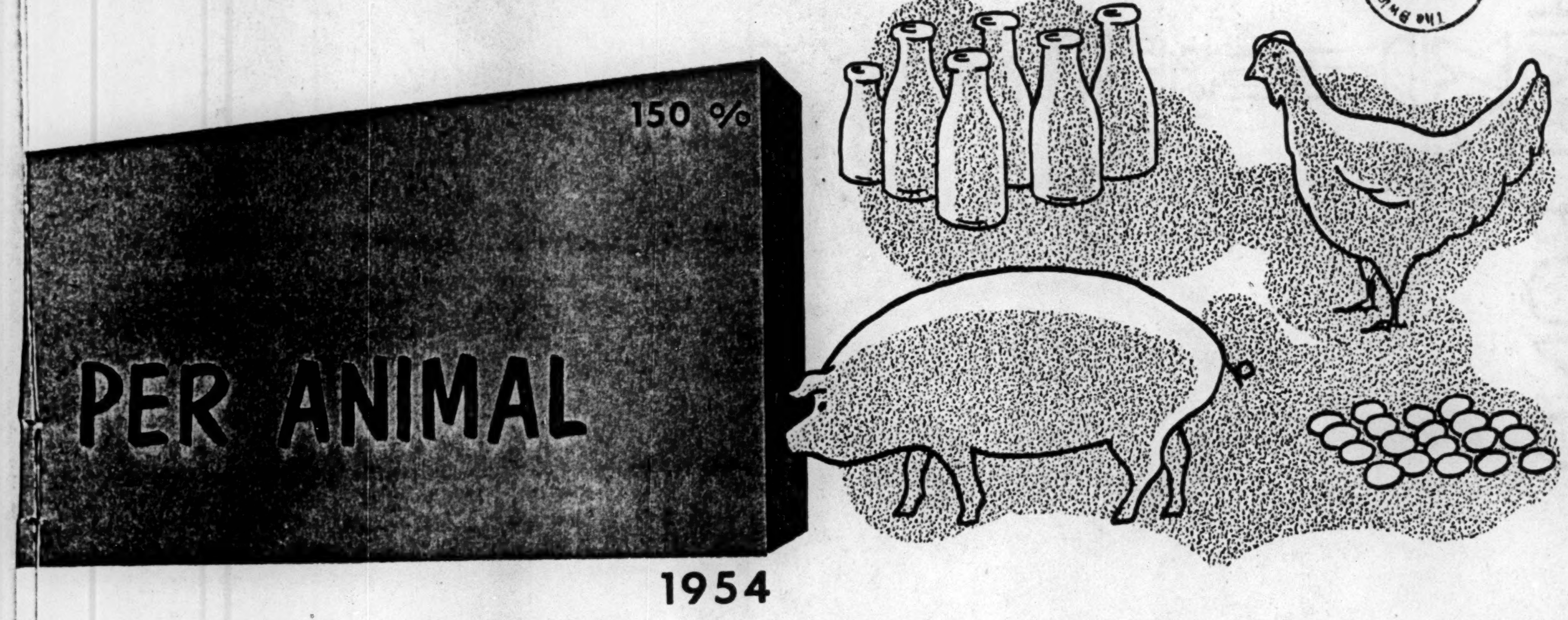
THEN MILK COWS, HENS, MOST
FARM ANIMALS - WERE

LOW PRODUCERS



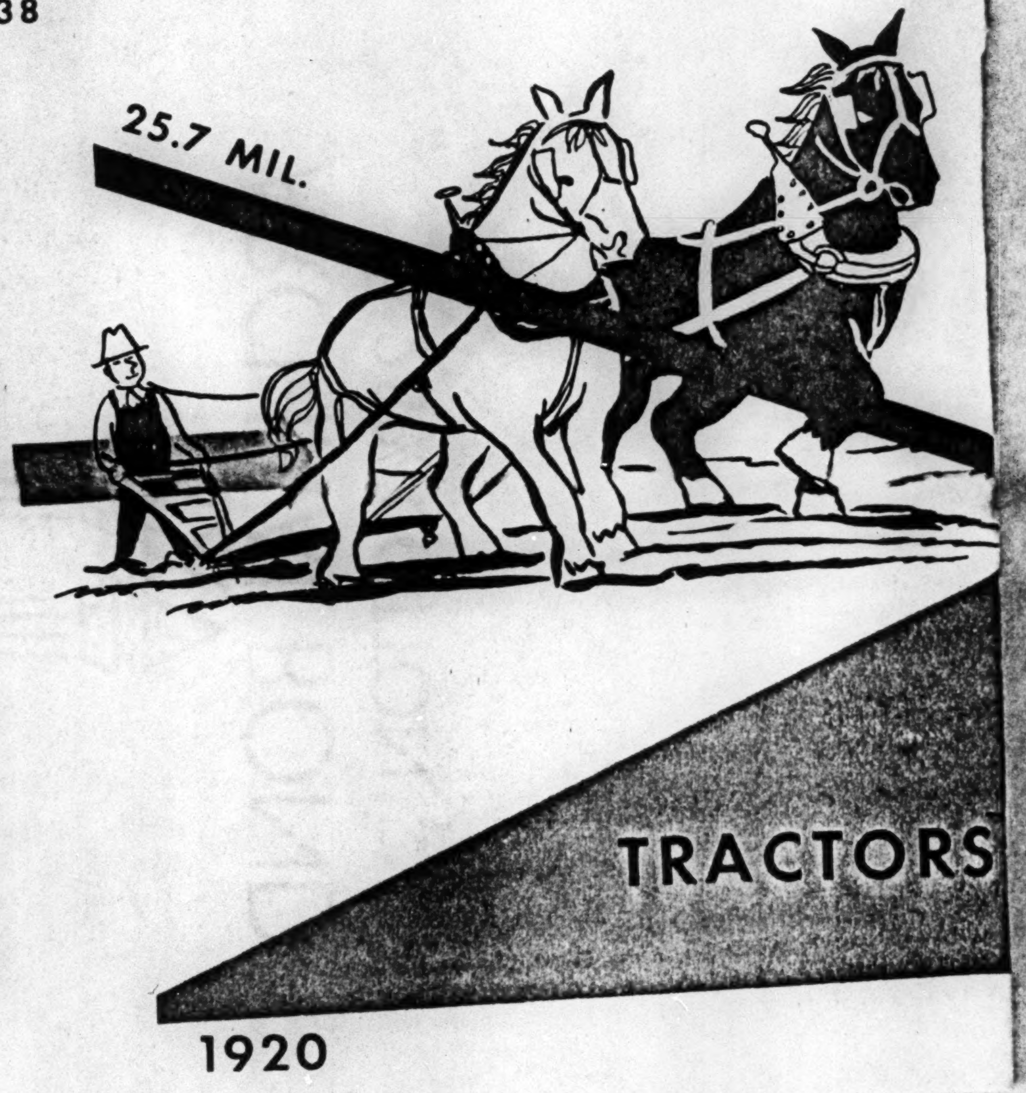


NOW PER ANIMAL THEY ARE PRODUCING 50 % MORE THAN 30 YEARS AGO



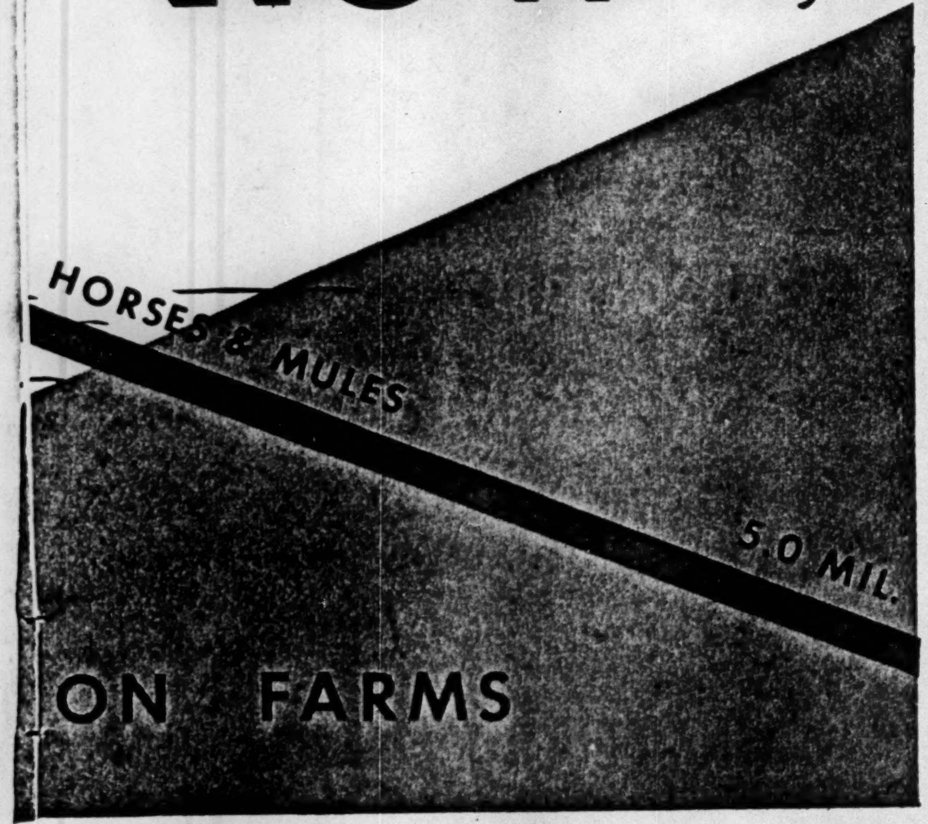
THEN

Farming was done by
13.4 million farm workers
mostly with

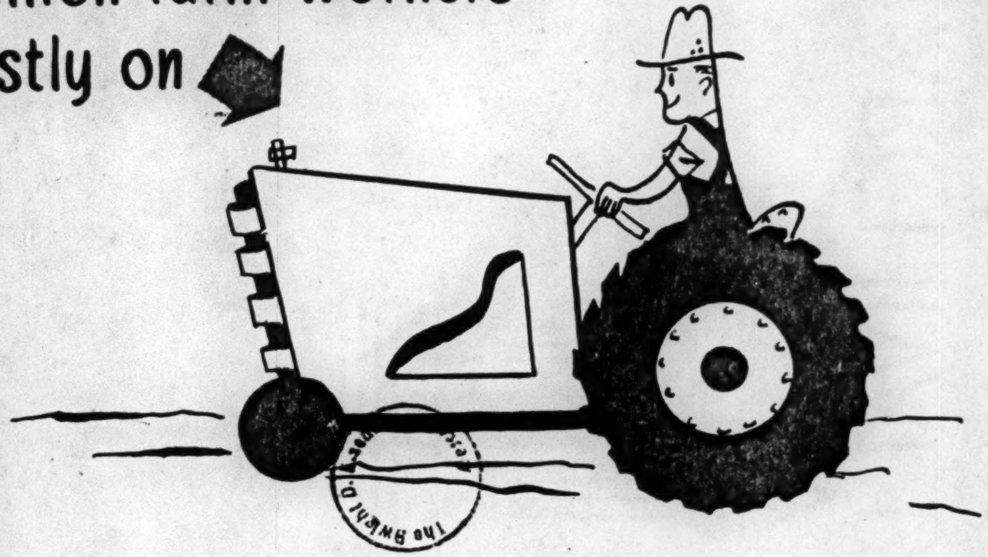


TRACTORS	246,000
TRUCKS	139,000
COMBINES	4,000
CORN PICKERS	10,000
MILKING MACHINES	55,000

NOW 8-1/2 million farm workers rely mostly on

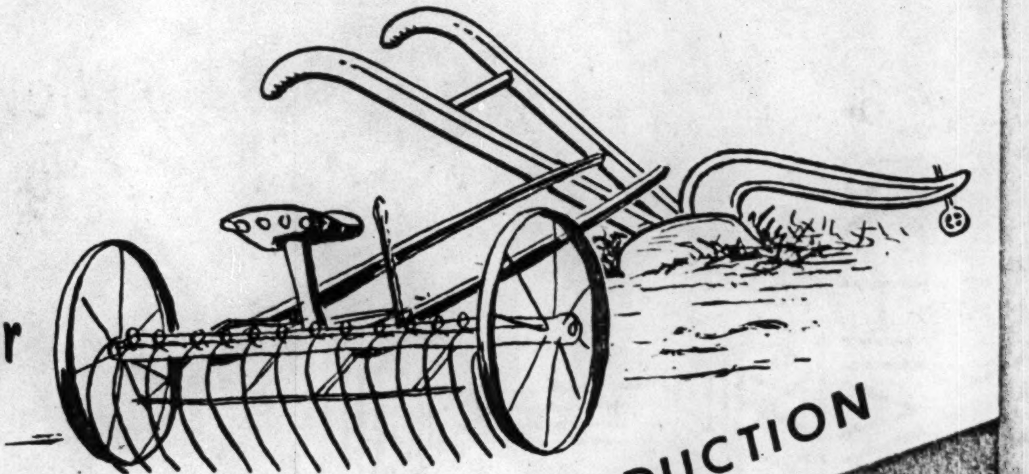


1954



TRACTORS	4,600,000
TRUCKS	2,650,000
COMBINES	950,000
CORN PICKERS	640,000
MILKING MACHINES	730,000

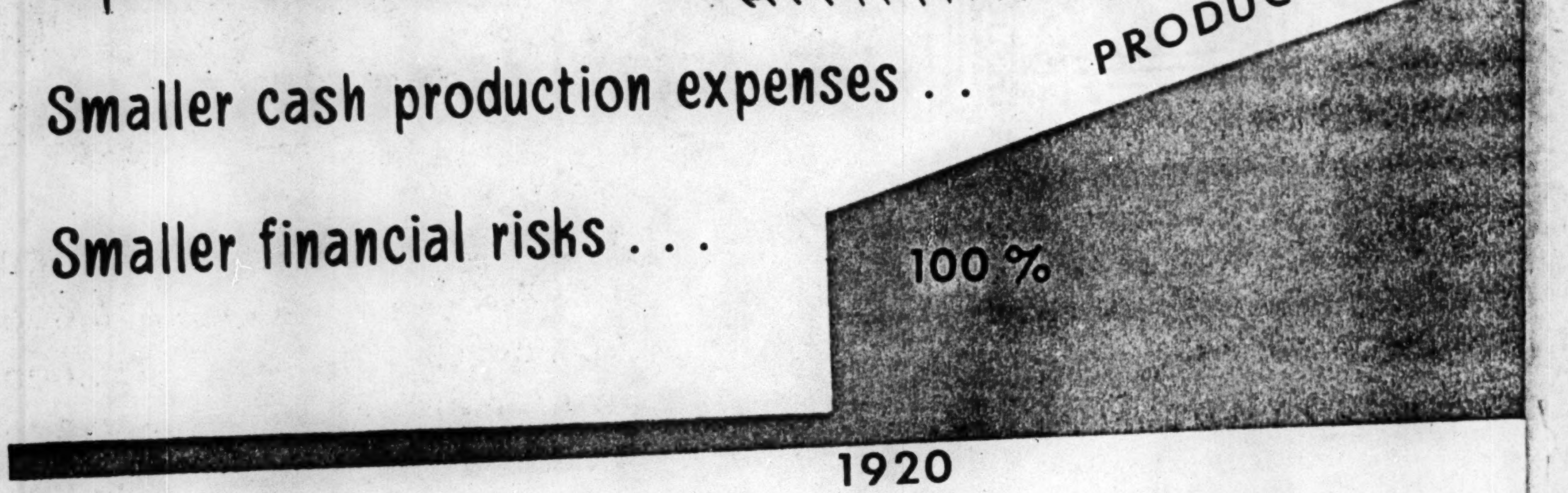
THEN



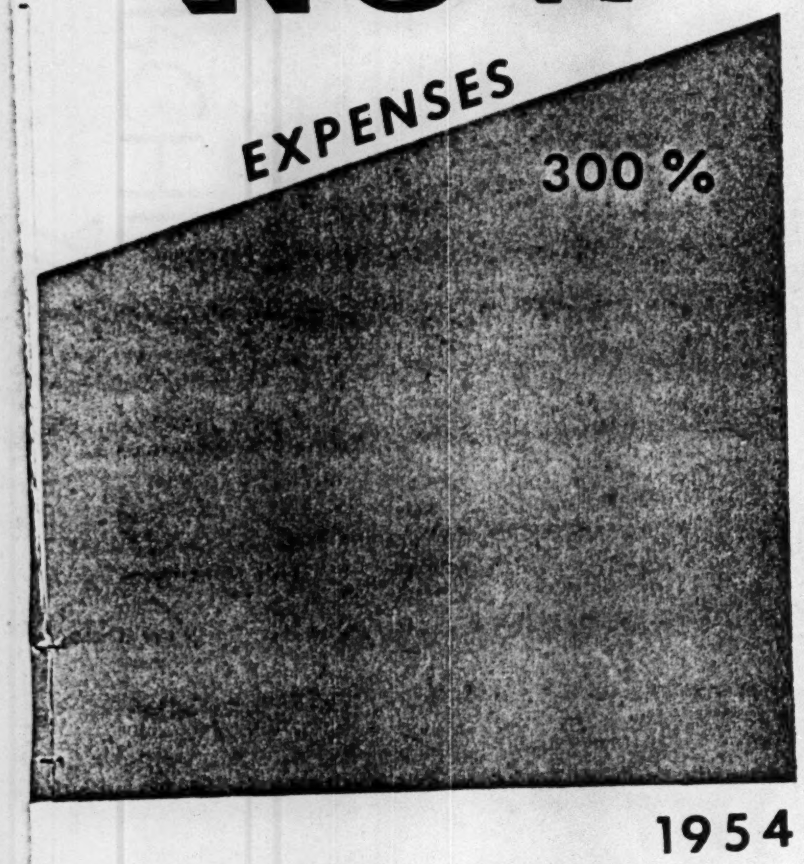
Farming involved smaller capital investment . . .

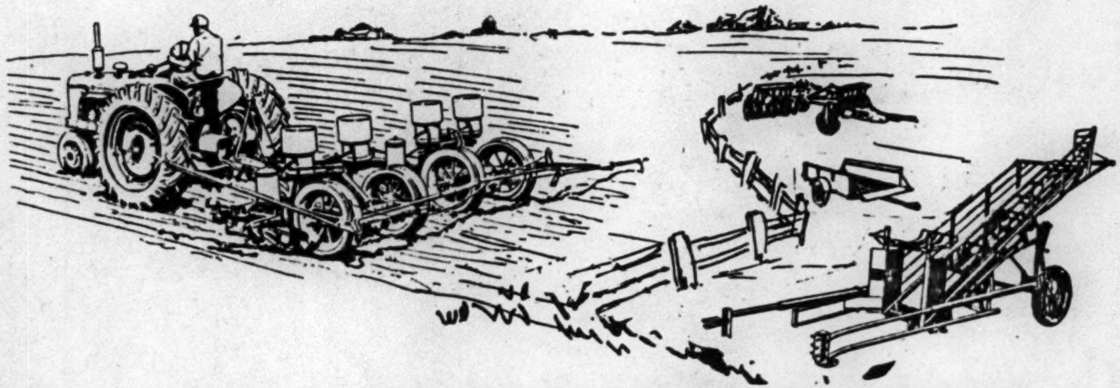
Smaller cash production expenses . .

Smaller financial risks . . .



NOW



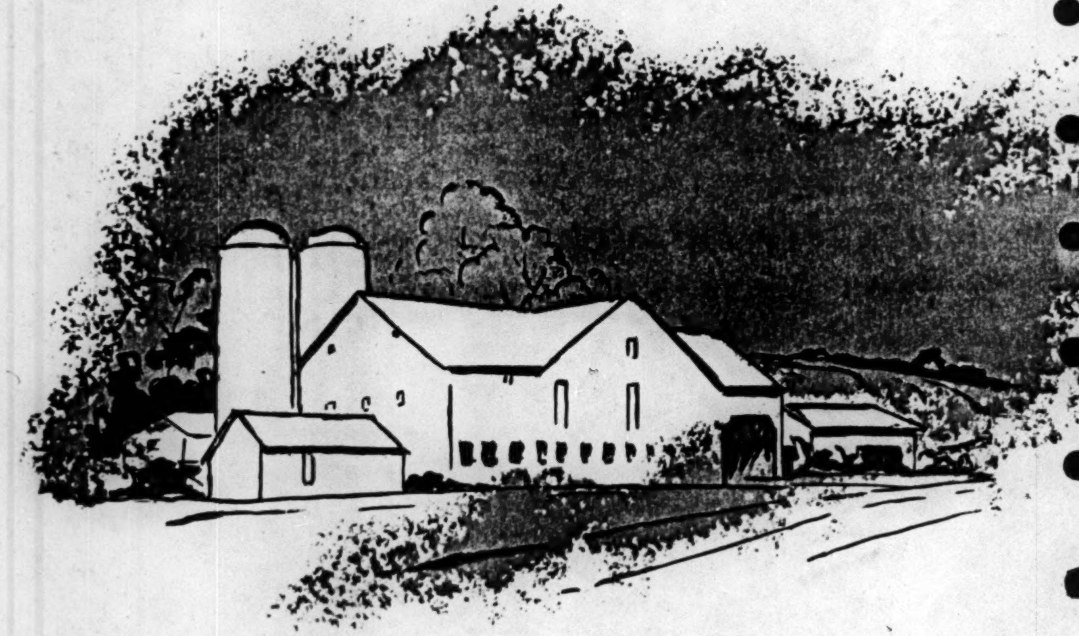


Investment is $14,000 per farm worker – more than for many industries.

Cash production expenses are tripled.

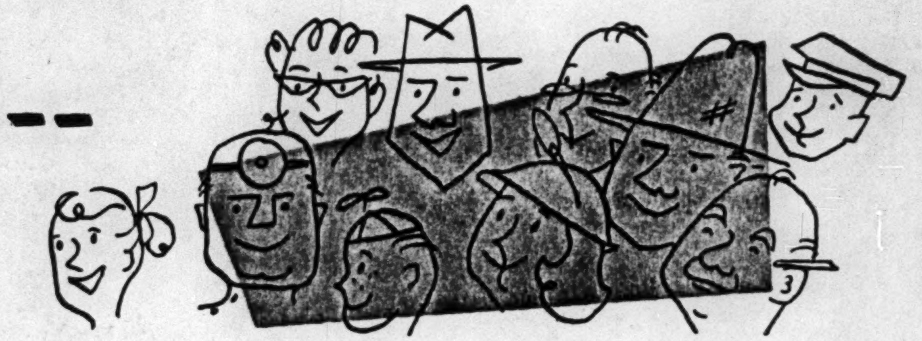
The premium is on good farm management.

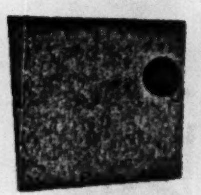
And The Continued Improvements Under Way In.--



- Production
- Transportation
- Storage
- Processing
- Packaging
- Merchandising

Give Promise Of --





Abundant food to meet the needs
of our rapidly increasing population.

- Expanding markets for farm products.
- More and better foods from tomorrow's pay check.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 20

February 16, 1955

The White House
Washington

THE CABINET

Reductions in the President's Budget Estimates

For consideration by the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget concerning procedures to be followed by Agency Heads in the case of reductions which they find can be made in the President's Budget estimates submitted to the Congress in January.

The paper makes specific recommendations on the manner in which such recently discovered reductions should be communicated to the Congress.

This paper is being given limited distribution.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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THE CABINET

REDUCTIONS IN THE PRESIDENT'S BUDGET ESTIMATES

Problem: When an agency finds, after the President has transmitted the budget to Congress, that a reduction can be made in the appropriation requests recommended therein, should the agency be allowed to offer the reduction to the appropriation committees informally?

Discussion: Because conditions change while the President's budget is being prepared and considered by Congress, it is occasionally necessary to make changes in the appropriation requests after the budget document is transmitted to the Congress. Such changes may involve either increases or decreases and may be large or small.

All changes which involve increases in the estimates recommended by the President must be transmitted as formal amendments to the budget, since agencies and their witnesses are prohibited by law (31 U. S. C. 15) from requesting directly from the Congress increases in the President's appropriation requests, except when asked to do so by action of either the House or the Senate.

In the last Congress, it was the general practice for agencies to offer reductions in the budget estimates informally when they appeared before the appropriations committees. This informal practice enabled the appropriations committees to take credit in the summation tables for reductions in the budget offered by the administration as well as for reductions made by the committees.

With the change in leadership in Congress this year, it may be desirable to change the policy followed last year. The last time that the President and the congressional majority were of different political parties--in the Eightieth Congress--nearly all reductions in the budget were made by formal amendment, the only exceptions being very minor amounts.

Informal suggestions to Congress for changes in the estimates sometimes lead to misunderstanding and confusion as to what the administration wants. It is believed to be better all around--for both the administration and Congress--to document all significant changes in budget requests officially.

Recommendations: That, as a general rule, reductions in the President's estimates of any significant amount, be made by formal amendment to the budget. In each case, where the agency head finds a reduction possible, he will notify the Budget Bureau and request advice on how to proceed.

Implementation: By the agencies and the Bureau of the Budget jointly. Agencies will advise the Bureau of the Budget promptly of all possible reductions in the estimates, as presently required by section 7 of Budget Circular No. A-10. The Bureau of the Budget will prepare budget amendments for the President's consideration except where the amounts are insignificant, and will notify the agencies accordingly.

CABINET PAPER

For Consideration

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February 19, 1955

The White House
Washington

THE CABINET

Reductions in the President's Budget Estimates

The attached approved paper is circulated for action on the part of the Cabinet Departments and other Agencies jointly with the Bureau of the Budget.

The President approved the recommendations of this paper at the Cabinet Meeting of February 18, 1955 (RA - 13, Item 5).

Action taken pursuant to this paper is to take place in accordance with the "Implementation" paragraph on the attached page.

This paper is being given limited distribution.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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THE CABINET

REDUCTIONS IN THE PRESIDENT'S BUDGET ESTIMATES

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All changes which involve increases in the estimates recommended by the President must be transmitted as formal amendments to the budget, since agencies and their witnesses are prohibited by law (31 U. S. C. 15) from requesting directly from the Congress increases in the President's appropriation requests, except when asked to do so by action of either the House or the Senate.

In the last Congress, it was the general practice for agencies to offer reductions in the budget estimates informally when they appeared before the appropriations committees. This informal practice enabled the appropriations committees to take credit in the summation tables for reductions in the budget offered by the administration as well as for reductions made by the committees.

With the change in leadership in Congress this year, it may be desirable to change the policy followed last year. The last time that the President and the congressional majority were of different political parties--in the Eightieth Congress--nearly all reductions in the budget were made by formal amendment, the only exceptions being very minor amounts.

Informal suggestions to Congress for changes in the estimates sometimes lead to misunderstanding and confusion as to what the administration wants. It is believed to be better all around--for both the administration and Congress--to document all significant changes in budget requests officially.

Recommendations: That, as a general rule, reductions in the President's estimates of any significant amount, be made by formal amendment to the budget. In each case, where the agency head finds a reduction possible, he will notify the Budget Bureau and request advice on how to proceed.

Implementation: By the agencies and the Bureau of the Budget jointly. Agencies will advise the Bureau of the Budget promptly of all possible reductions in the estimates, as presently required by section 7 of Budget Circular No. A-10. The Bureau of the Budget will prepare budget amendments for the President's consideration except where the amounts are insignificant, and will notify the agencies accordingly.

CABINET PAPER

For Action

not sent

February 28, 1955

MEMORANDUM FOR THE PRESIDENT

Background

From the perspective of the last eighteen months, your use of the Cabinet for coordination and development of Administration-wide policy has proved most successful.

Now, when a matter is brought forward into Cabinet meetings, you can have a high degree of assurance that:

a) because of steady, automatic follow-up, no decision you make will be overlooked, or delayed in implementation;

b) decisions you make will not be interpreted (or misinterpreted) differently by different Departments;

c) your decisions will be known, understood and supported with a teamwork impervious to divisive counter-attacks from the outside.

Principle

A principle you yourself have pointed out is that it is in the President's own interest to maximize the amount of major policy business done when staff support is present and functioning, as in the NSC and the Cabinet and to minimize the amount of business done orally or privately when there is greater danger of poor coordination and misinterpretations of the decisions reported.

This principle has long been recognized in the National Security field, and the members of the National Security Council are well reminded of it by the National Security Act of 1947, which gives the NSC its firm foundation.

The Members of the Cabinet are likewise becoming convinced of the value of this principle of policymaking. Since the Cabinet, however, has had nothing, before 1953, but a very unbusinesslike tradition as a foundation, this wisdom comes gradually, and occasionally needs a gentle shove. This is the reason for my present proposal.

Proposal

I respectfully suggest that at the next Cabinet meeting you refer to the principle above, and underscore it with some words of your own, emphasizing the importance of the benefits to be achieved by putting the Cabinet to its full potential use as a group for the development and coordination of policy.

Benefit

The chief benefit to be gained from encouraging Department Heads to make more use of the Cabinet is that there will be "more meat and less fat" on Cabinet Agendas. A corollary benefit will be the expended coverage of good staff work.

Some suggested language for your remarks is attached.

Maxwell M. Rabb
Secretary to the Cabinet

Attachment

I want to say a word at the outset about the Cabinet as a group, and the way in which we use our meetings. The political scientists have a phrase "The Cabinet is the enemy of the President." As far as I am concerned, either we in these last two years, have proved that adage wrong, or we constitute the most notable exception to it. The teamwork we have here - among us - is beyond words of mine to praise; it is what has made our accomplishments so solid, and my own job bearable...

I think our system of staff support - in the White House and for the Cabinet - has contributed greatly to our achievement. Even more important, however, has been the realization by each of us, of the benefits we all can reap by putting our heads together collectively on some of our knottiest problems.

When we discuss something here I know that our staff system will ensure that our decision will be kept track of and followed up. That is a signal accomplishment. I know that we will not go away from here, each with a varying interpretation of what we have decided. Most important, I know that when we have consulted, discussed and decided, we stand as a team - and the mounting divisive pressures from the other side of the fence cannot make a dent in us.

I am anxious to solidify the achievement we have made in the policy-making process. I am anxious to see Cabinet meetings used to their full potential - to deal with the issues and problems which affect us all. I think we have found out by now that the consequence of trying to keep policy differences submerged, or to delay their resolution is acute unhappiness for us all. This room is the place to discuss them. The private and bilateral meetings you have with me are, naturally, irreplaceable. But more and more I look forward to seeing our toughest and most important questions brought up here at the Cabinet table where we can subject them to our common wisdom and where we can plot out our common direction.

Max is continually in touch with each of you about matters which are suitable for our joint consideration - equipped as we are now with the staff services which he provides. I have told him that I want "more meat and less fat" on Cabinet agendas, and that I would like each of your to subordinate any parochial reluctance your Departments may have about bringing up matters here in favor of a very liberal interpretation of the criterion of what problems are "suitable" for us to look at together.

~~CONFIDENTIAL~~

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

March 4, 1955
10:30 A. M. - 12:30 P. M.

The following were present:

President Eisenhower

Under Sec. of State Hoover
    (for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Under Sec. of Agriculture Morse
    (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. D. A. Fitzgerald
    (for Gov. Stassen)
Dr. Flemming
Chairman Young
Dr. Burns

Dr. Eli Ginzberg, in part
Mr. George Lodge, in part

Gov. Adams
Gen. Persons
Mr. Rockefeller
Gen. Cutler
Dr. Hauge
Dr. Howard Snyder, in part
Mr. Morgan
Mr. Shanley
Mr. Murray Snyder
Mr. Martin
Mr. Rabb
Mr. Minnich

Skilled Manpower - Sec. Mitchell stated that the Department of Labor had been working with a group of consultants in an effort to re-think the mission of the Department and revise programs as necessary. He noted that skilled manpower was now a very vital matter. He called on Dr. Eli Ginzberg to present the findings of the group consulting on this aspect.

Dr. Ginzberg presented a series of charts showing that skilled workers and technicians constituted about 14% of the entire labor forces; that they were predominantly in the building trades but concentrated also to some degree among mechanics and repairmen, metal workers, Foremen, and technicians as such. He emphasized that their skills were acquired in numerous places such as the home, schools, Armed Forces especially, apprenticeship programs, job experience, etc. He indicated that two hundred fifty thousand replacements were required yearly.

Dr. Ginzberg called attention to those occupations in which critical shortages occurred in World War II -- both civilian and military. The latter were approximately 33% short of their requirements for skilled

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By GWc NLE, Date 8-5-76

workers. He indicated that one-fourth of the men facing induction were rejected because of inability to pass the mental test. Only a small portion of those inducted are capable of assimilating training in skills.

Other charts showed the shortcomings by geographical areas of basic educational training, and the geographical areas where considerable retraining of surplus labor forces is deemed vital. Still other charts showed some of the problems of relating skills to requirements in the Reserve program, and also the impact of economic and military assistance programs abroad as related to manpower skills.

Both Dr. Ginzberg and Sec. Mitchell emphasized that basic education remains a much greater need than vocational education. Sec. Mitchell went on to indicate the importance of advisory services to young people in choosing their vocations, and he urged that more attention be given to encouraging activity at the community level. He stated that the Labor Department was contributing especially to furnishing special knowledge on this matter to industry apprenticeship programs, to other Departments, and to various communities. He put special emphasis on the importance of the information that the Labor Department can supply to such agencies as HEW, the Dodge Committee, the Interdepartmental Committee on Economic Growth and Stability, etc. -- information pertaining to trends, requirements, and desires of employers with respect to the important qualifications of young people.

In discussion, Dr. Ginzberg informed Mrs. Hobby that the Service rejection rate is higher now than during World War II because of tightened standards. Sec. Mitchell suggested that industrialization of the South and improved technology for the United States as a whole may be retarded by the inability of the South to supply skilled labor. The President suggested that on the basis of the traditional law of supply and demand, higher wages would serve to attract the necessary skilled people. Chairman Young and Sec. Wilson pointed to the time-consuming nature of the educational process and the resulting inability of higher wages alone to meet the problem. Dr. Ginzberg noted the increasing number of women who are becoming permanent members of the labor force.

Discredited Informers - The Attorney General recounted the steps customarily taken in checking on the background of a former member of the Communist Party prior to use of any information he may offer. He discussed at length the personality traits and emotional disturbances associated with ex-Communists. In regard to the Matusow case, he noted that the evidence given by Matusow in New York in 1952 was confirmed from other sources. Justice Department has taken the position that the courts should determine the importance of discredited testimony and that the courts will decide whether a new trial is in order.

The Attorney General reported that corrective action had been taken in regard to reports on personnel supplied to Department heads by the FBI. Only three cases depended to any important degree on information from Matusow and those cases have now been called to the attention of Department heads.

In regard to the Natvig-Watson cases, the Attorney General stated that they were essentially a matter for the FCC and that FCC now recommended

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E.O. 11652, Section 1

By BHC NLE, Date 8-5-76

prosecution of Mrs. Natvig for perjury. Mr. Brownell then cited the difficulty of securing a conviction even where a witness has made self-contradictory statements under oath. The law requires that at least one of those statements be proved false on the basis of evidence obtained independently of the person on trial. The Justice Department is awaiting receipt of the Watson record to determine whether prosecution should be initiated.

The Attorney General stated that the Immigration Service had ceased to employ informants as consultants as of last July and now treats them as any other witness.

Extension of Renegotiation Act - Sec. Wilson referred briefly to CP-21 and stated the importance of securing this legislation. The President questioned whether this had not previously been recommended and Mr. Morgan indicated that the necessary paper work was in the mill but not yet signed by the President. Sec. Humphrey stressed the importance of pushing this measure.

Sec. Weeks recalled the study made by Commerce Department last year and the absence of recommendation for such legislation in the State of the Union Message. The President commented that the Defense Department could not be run without it. Sec. Weeks went on to say that many people regarded the Renegotiation Act as a war measure which was not to be a permanent part of Administration routine. He added that in practice the Renegotiation Board had returned very little money to the Government -- perhaps about $10 million a year. He expected that the Board itself would think that the procedure could be discontinued. The President commented on the complexity of contracts, especially for airplanes, and he stated his liking of renegotiation as a method for proceeding rapidly. Sec. Weeks indicated that he had no strong feeling, Sec. Wilson said that some $256 million had been collected, and that much more would be had from pending cases, and Sec. Humphrey believed the procedure desirable even though no money at all were returned from it. The President agreed with Sec. Humphrey. Mr. Hughes stated that several details of the earlier Act had been dropped because they caused considerable obstruction to no avail. Sec. Wilson cautioned that advance payments on contracts by the Government opened up the possibility of considerable profit on a small initial investment and that the renegotiation procedure served to protect against such an event.

The President once more expressed his feeling that the legislation was necessary and Sec. Weeks went along on it. Sec. Wilson emphasized that the process of renegotiation should be speeded up so that business concerns would not be unduly delayed in closing their books.

Residential Mortgage Financing - Dr. Burns set forth as basic facts for this discussion the high level of residential building which is now at an annual rate of $16 billion, compared to $12 billion in 1953 and $13.4 billion in 1954; the increasingly large role of Government in underwriting housing mortgages at a current rate of 53% of all new mortgages as compared to 39% in 1952; and the progressively more liberal terms allowed

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E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

by VA and FHA. After stating that some experts believed terms should now be tightened in order to protect against a bad situation a year from now, he reported that the Council of Economic Advisers could find little evidence of over-building for the country as a whole but did see over-building in parts of the country such as the west and south where 100% loans are predominant. He said that progressive liberalization of terms stemmed from Federal Reserve Board and Treasury policy in 1953 rather than from any legislation, and he noted the rush of veterans to utilize their rights prior to expiration. He noted a general tightening of credit already under way and believed it would soon begin to take effect on housing, though perhaps too slowly. He therefore recommended (1) that the current CEA experiment be continued as a means of providing coordination among Federal Reserve Board, Treasury, VA, FHA, the Home Loan Bank Board, and the Council of Economic Advisers; (2) that a system be devised for identifying areas of housing surplus, of establishing uniform tightening policies for both FHA and VA, and for enforcement of new directives; (3) secure an early extension of GI housing rights if they are to be extended at all; and (4) that the Federal National Mortgage Association should quietly test the market with a view to cautiously selling off its holdings. He believed also that it would be better for the VA to stop the practice of including closing costs in the face value of the mortgage.

In conclusion, Dr. Burns emphasized that the American consumer is the best credit risk in the world, that the American desire for home ownership which began to appear in the 1930's is very beneficial, and that loans to consumers have a much better record than loans for business purposes.

Sec. Humphrey said that, at the risk of being blunt and overly practical, he had to emphasize the importance of preventing a '55 boom followed by a '56 "bust". He was alarmed by the current practice of insurance companies expanding their credit for housing mortgages. He believed it better to incur such controversy as might develop now in order to prevent paying a more serious price later on.

The President asked what authority would be needed for these changes. He cited his agreement on the desirability of having the purchaser pay in cash for closing costs. Sec. Humphrey said that it was not necessary to ask Congress for legislation, and Dr. Burns stated that a Presidential directive would be sufficient to secure action by FHA and VA on some of these recommendations. Sec. Humphrey agreed.

The President inquired whether it would not be better to get representatives of VA and FHA to come in for such a discussion rather than act at that moment.

Dr. Burns said that Treasury might handle the whole problem by itself by putting out a long-term issue at a favorable rate, thus stiffening the entire credit and mortgage fund.

Sec. Humphrey believed any stiffening should be on a selective basis. Sec. Wilson noted the peculiarities of automobile sales and said that automobile terms are much tougher than housing terms. He went on to suggest that the military housing program could be adjusted to assist in reaching the desirable national housing objective. The President said that the small amount of military housing involved would have little impact

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By 8HC NLE, Date 8-5-76

and really would be lost in the shuffle. Sec. Humphrey believed that particular point merited careful consideration along with other pertinent factors.

The President stated his liking of the idea of coordinating the efforts of the several agencies involved. He then directed that a conference should be arranged with only those in attendance who had a direct interest in the subject.

Windfall Operations - In presenting this paper, the Attorney General emphasized the action already undertaken in regard to convictions on improper home improvement loans, punishment of FHA employees who accepted gratuities, the over-insurance by FHA of two-thirds of the windfall cases spot checked by Justice. He noted the windfall test cases which constituted a breaking of new ground, and he stated that Justice was appealing the court decision which allowed corporations to report distributed windfalls as capital gains rather than dividends.

The President asked what sort of sentences were being given to the home improvement gyp artists, and Mr. Brownell stated his belief that the sentences were too lenient. The President indicated he would like to see full justice done.

Congressional Investigations - Gen. Persons reported that some thirty investigations were in process of getting under way. He emphasized that the Government should be fully prepared for the hearings and that there should be full coordination when more than one department was involved. He stated that a program had been developed which would be presented at a Sub-Cabinet meeting and discussed also with the legislative group in each Department. He said that the Department having the most interest in any investigation would be expected to take the lead in coordination. He repeated an earlier request that each Department head appoint an immediate assistant to be responsible in each case of an investigation.

Mrs. Hobby indicated that HEW planned to designate the General Counsel as the responsible person, and Gen. Persons agreed that that would be appropriate in many instances. He believed each Department head would want to make his designation to fit circumstances in his Department. The President emphasized the desirability of cleaning up any improprieties quickly rather than attempting to be evasive.

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

Working Paper

March 1, 1955

MEMORANDUM FOR MR. RABB

SUBJECT: Cabinet Agenda: March 4 Meeting

Item 1: Work Skills of the Nation (CI - 17)

This will be an oral-and-chart presentation by Dr. Eli Ginzberg of Columbia, who, as Research Director of the National Manpower Council, has been working with Secretary Mitchell on this problem of availability, flexibility, development and conservation of the specialized skills needed in our workforce for both peace and war. President Eisenhower, when President of Columbia, set up the Council and is familiar with the problem-areas in which it is working. CI - 17 and the FORTUNE highlights of the Council's Report are attached as further background. What you will want to shape up with Secretary Mitchell and the President is: what will be the appropriate Cabinet action on this presentation.

(30 - 45 minutes)

Item 2: The Development of Scientists and Engineers (CP - 13/1)

The report of a Special Interdepartmental Committee on this subject, chaired by Dr. Flemming, was discussed in Cabinet on January 7. Decision was withheld pending the submission to the Cabinet of the actual Presidential statement, which the report recommended be made. The statement, furthermore, would have to reflect the feeling of several of the Cabinet Members that inadequate comparative recognition was given to the humanities and the social sciences. The statement has now been drafted and, with one exception -- noted on page two of the covering brief -- has received the concurrence of each of the members of Dr. Flemming's Committee. The report and the proposed statement are now up for Cabinet concurrence and Presidential approval. The report is placed second on the agenda because of its close relation to the item just preceding.

(15 minutes)

Item 3: Discredited Informers (Oral)

This is a policy question of the first magnitude. Even the Formosa story hasn't kept this off the front pages, and every week, it seems, a new character adds himself to the list. This problem touches the whole security program and the public's confidence in it, and thus affects every Department. Some of the questions to which the Cabinet needs the answers:

a) How many security case decisions have been made or are pending which depend even in part upon any of Matusow's testimony?

b) What weight should be given to the present statements of such people?

c) How do we judge the reliance which can be placed on the testimony of the present "ex-Communists"?

(15 minutes)

Item 4: Governmental Policy in Relation to Residential Mortgage Financing (Oral)

An action item. Dr. Burns has been engaged in a series of conferences with Al Cole of FHHA, Norman Mason of FHA, and Treasury officials Folsom and Burgess on this subject. By Friday this decision should be ready. The problem has become acute with interest trouble developing over the tremendous increase in 100 per cent VA mortgages with 30 years to pay. Treasury has an elaborate plan calling for Presidential intervention which would turn all the veterans lobbies against the Administration. Burns thinks he has the simple approach which will be acceptable to all. It will put curb on mortgages on Fannie May and FHA by having them quietly get rid of some of their mortgages.

There will be no position paper as no time after meetings on Wednesday.
(20 minutes)

Item 5: Windfall Profits (CP - 21)

Stimulated by Senator Capehart's disclosures, Justice and HHFA have gone after these windfall cases -- to clean up "the mess". This mess has put the Administration as such on the spot in terms of taking action -- it is therefore a proper and an important Cabinet matter. We have run into some difficulty in view of the recently reported decision of the Tax Court that windfall profits are to be considered as capital gains, and thus taxable only at a 25 per cent rate -- a decision which may lessen our ability to recover some of these sums. There is another side of the coin: many builders lost money on these projects, and others are disturbed at the hardening of FHA policy in this field of lending -- and at the restrictive credit terms.
(15 minutes)

Item 1: Congressional Investigations (Oral)

General Persons believes it advisable to have a run-down of the impending Congressional investigations, ~~and~~ of the Departments which these investigations are likely to affect, and of the measures necessary to ensure coordinated testimony on the part of the Executive Branch.

Bradley H. Patterson, Jr.

BHP:MR:gs

March 1, 1955

MEMORANDUM FOR GOVERNOR ADAMS

FROM: Maxwell M. Rabb

Attached is the tentative agenda and two of the three papers for Cabinet on Friday.

The President has approved this agenda. He had a comment, however, on Item 2, which I want to pass on to you: He stated he is rather reluctant to issue any lengthy statement which puts him in the position of presuming a great depth of detailed information when such is not the case. The proposed statement under Tab 2 will have to be judged by that criterion. The report itself and perhaps even the statement would better come from ODM rather than the President personally. The President also wants to be sure that Dr. Flemming briefs the Cabinet succinctly on the essential points of CP-13/1, but without actually reading any of the Report or the Statement. (I am taking care of this).

The paper on Item 5 will be circulated shortly.

Item 6 has not yet been completely firmed up; I am discussing it with General Persons.

Attachment

BHP/MMR/br

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CI - 17

February 28, 1955

THE WHITE HOUSE

Washington

The Cabinet

The Work Skills of the Nation

For information of the Cabinet, attached is a brief background statement on the problem of the development and conservation of skilled manpower. The policy problems in this area are significant both for domestic economic planning and for national defense, and as such are of concern to almost every Cabinet Department.

The attached statement is circulated as an accompaniment to the oral presentation on the Work Skills of the Nation to be made at the coming Cabinet Meeting by the Secretary of Labor and Dr. Eli Ginzberg, the Director of Research of the National Manpower Council.

Detailed background information on this problem can be found in the book "A Policy for Skilled Manpower", published just recently by the Council through the Columbia University Press (and briefly highlighted in the March issue of FORTUNE, page 52.)

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

THE WORK SKILLS OF THE NATION

During the past several years there has been increasing public awareness that the number and quality of American scientists and engineers greatly influence the rate of our economic progress and our position in the cold war. These matters have also become of increasing concern to the Federal Government. There has been little consideration, however, of the crucial importance of the skill, versatility, and flexibility of the work force in furthering our economic advance and strengthening our national security. Yet our modern economy requires not only the physicist and the engineer, but the draftsman, the electronics technician, the maintenance expert, as well as the competent machine operator. And the Armed Services are today confronted with a serious manpower problem resulting from a threatened loss of many of their trained technicians and specialists.

The Department of Labor has had under review during the past six months the steps that should be taken to increase the work skills of the nation. From the Department of Labor's review it is clear that the Federal Government should reappraise those activities in which it currently engages that affect skill, to determine whether their effectiveness can be increased. Further, the Federal Government should consider what additional steps it might take -- as well as what steps it might encourage other levels of government and non-governmental groups to take -- to insure that this major national resource is developed to a maximum.

An oral presentation will be made on this subject for the purpose of setting the background for an assessment of the current actions and future planning of the Federal Government with respect to enhancing the skills of the work force.

CABINET PAPER

For Information

CP - 21
March 2, 1955

The White House
Washington

THE CABINET

Extension of the Renegotiation Act of 1951

For consideration by the Cabinet, attached is a paper prepared by the Secretary of Defense proposing the extension of the Renegotiation Act of 1951 until March 15, 1957. (This Act expired as of December 31, 1954.)

The attached paper highlights the specific reasons of the Department of Defense for supporting such an extension, and is followed by suggested language for a Bill which would be the legislative vehicle for the extension recommended.

Maxwell M. Rabb
Secretary to the Cabinet

THE SECRETARY OF DEFENSE

Washington

2 March 1955

TO: The President

FROM: The Secretary of Defense

Problem: Extension of the Renegotiation Act of 1951 which expired December 31, 1954.

Discussion: The Department of Defense recognizes and believes in the free enterprise system and fair profits. It also recognizes that although we are at peace, the country is nevertheless in a state of semi-mobilization and is expending annually vast sums on its defense program.

Certain of these expenditures are made with industries and individual companies which the Government to all practical intents and purposes, supports and finances. It does business with other companies on a very large scale. It is absolutely necessary that those industries and companies doing large volumes of business with the Government are not allowed to make unreasonable profits on Government contracts.

The rate of expenditures by the Department of Defense is a good measure of the need for renegotiation. In FY 1951, Department of Defense expenditures were approximately $20 billion. This increased to $39 billion in FY 1952, $44 billion in FY 1953, and approximately $40 billion in FY 1954. The forecast for FY 1955 is over $35 billion, and expenditures for FY 1956 and FY 1957 will probably be of comparable magnitude.

The next two years will see an introduction into the Air Force program of the latest types of supersonic aircraft. While substantial strides in pricing policies and techniques have been made, the control of profits to a reasonable level cannot always be achieved, particularly where volume is abnormal. In the changing technology of the defense effort, new equipment becomes more complex and past production and cost experience is not necessarily satisfactory for forecasting costs and avoiding unconscionable profits. Price redetermination cannot be considered a complete solution to this problem and the excess-profits tax is no longer available. Other factors also preclude close pricing to the extent desired. These arise principally in situations where the Government is unable to obtain the benefits accruing from extensive competition because of limited sources or proprietary situations.

Experience has proved that statutory renegotiation is an effective method of insuring against abnormal profits. It has a salutary psychological effect in original contract pricing and has proved particularly effective in the subcontracting areas where maintenance of sufficient controls to prevent excessive profits is extremely difficult.

It should be noted that the expiration date of the Renegotiation Act occurs when Congress is not in session. While it is recognized that most businesses operate on a calendar year basis, consideration should be given to the feasibility of selecting a different expiration date.

Recommendation: That the Administration strongly support an extension of the Renegotiation Act of 1951 to March 15, 1957.

A BILL

To extend the Renegotiation Act of 1951, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 102 of the Renegotiation Act of 1951 (65 Stat. 8), as amended (68 Stat. 1116), is hereby amended by striking out "December 31, 1954" and inserting in lieu thereof "March 15, 1957".

CABINET PAPER—PRIVILEGED

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CP - 21/1

March 5, 1955

The White House

Washington

THE CABINET

Extension of the Renegotiation Act of 1951

The attached approved paper is circulated for the information of the Cabinet Departments.

The paper has been revised to reflect the President's decision at the Cabinet Meeting of March 4, 1955 (RA - 14, Item 3).

The action called for by the attached paper has been taken by the President in transmitting to the Congress his Special Message on this subject, a copy of which is also attached.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

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THE SECRETARY OF DEFENSE

Washington

2 March 1955

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The rate of expenditures by the Department of Defense is a good measure of the need for renegotiation. In FY 1951, Department of Defense expenditures were approximately $20 billion. This increased to $39 billion in FY 1952, $44 billion in FY 1953, and approximately $40 billion in FY 1954. The forecast for FY 1955 is over $35 billion, and expenditures for FY 1956 and FY 1957 will probably be of comparable magnitude.

The next two years will see an introduction into the Air Force program of the latest types of supersonic aircraft. While substantial strides in pricing policies and techniques have been made, the control of profits to a reasonable level cannot always be achieved, particularly where volume is abnormal. In the changing technology of the defense effort, new equipment becomes more complex and past production and cost experience is not necessarily satisfactory for forecasting costs and avoiding unconscionable profits. Price redetermination cannot be considered a complete solution to this problem and the excess-profits tax is no longer available. Other factors also preclude close pricing to the extent desired. These arise principally in situations where the Government is unable to obtain the benefits accruing from extensive competition because of limited sources or proprietary situations.

Experience has proved that statutory renegotiation is an effective method of insuring against abnormal profits. It has a salutary psychological effect in original contract pricing and has proved particularly effective in the subcontracting areas where maintenance of sufficient controls to prevent excessive profits is extremely difficult.

Recommendation: That the Administration strongly support an extension of the Renegotiation Act of 1951.

CABINET PAPER

For Action

FOR RELEASE AT 12 NOON (E.S.T.) MARCH 4, 1955

CAUTION: The following message of the President scheduled for delivery to the Congress today, March 4, 1955, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspapers, radio and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

James C. Hagerty
Press Secretary to the President.

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

I recommend extension of the Renegotiation Act of 1951, as amended, to make its provisions applicable for an additional period of two years. I make this recommendation because I believe the welfare of the country requires it.

In spite of major improvements which we have achieved in our contracting and price redetermination operations, there nevertheless remains an area in which only renegotiation can be effective to assure that the United States gets what it needs for defense at fair prices. In addition, I believe that the entire period of defense expansion and rebuilding which the United States has undertaken since the beginning of the Korean hostilities should be considered as a whole insofar as renegotiation treatment is concerned.

Continuation of the renegotiation authority is necessary for several reasons. Because of the complex nature of modern military equipment, the lack of experience in producing it and the frequent necessity for alterations during the life of a contract it is impossible for the Government to determine, when the procurement contract is made, what constitutes a fair price and for the supplier to forecast accurately his costs. Moreover, because of limited sources of supply in many cases, there are situations in which the Government is unable to obtain the price benefits that accrue from normal competition.

Furthermore, in the interest of broadening and strengthening the mobilization base, we have encouraged the extensive use of subcontracting. Because the United States has no direct contractual relations with the subcontractors, the only protection against unreasonable prices by them is through the process of renegotiation.

All these factors become particularly important when it is recognized that expenditures by the Government during the next two calendar years will include paying the bills for the completion of the expansion of the Air Force to one-hundred and thirty-seven wings. The next two years also will see an introduction into the Air Force program of the latest type of supersonic aircraft. New types of equipment also are being ordered for the Army and Navy and Marine Corps.

As a nation, we recognize that so long as defense expenditures represent more than half of the national budget, we must do everything in our power to see to it that the maximum return is received for each dollar spent. On the other hand we must also be careful not to interfere unwisely in the traditional commercial relationship between the Government and its suppliers. In extending the Renegotiation Act last year, the Congress instituted new statutory exemptions. These have lessened the burden imposed on industry by renegotiation and, more important, have concentrated renegotiation in the areas where it is most needed.

more

I strongly urge that the Congress take action as promptly as possible so that both Government and business will know that this important adjunct to speedy and effective defense contracting will remain available, at least until December 31, 1956.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

March 4, 1955.

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CABINET PAPER—PRIVILEGED

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CI - 18

March 2, 1955

The White House

Washington

THE CABINET

Windfall Profits - Summary Status Report of the Department of Justice on FHA Home Improvement and Rental Housing Loan Actions

For information of the Cabinet, attached is a paper prepared by the Department of Justice summarizing the "windfall profit" situation and the actions which the Administration is taking with respect to it.

The three different kinds of legal circumstances resulting in "windfalls" are described, together with the respective measures being taken.

This paper is circulated as background in connection with the discussion of this subject by the Attorney General at the coming Cabinet Meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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THE CABINET

March 2, 1955

Summary Status Report of the Department of Justice on FHA Home Improvement and Rental Housing Loan Actions

In 1953 a series of recurring complaints received by the Criminal Division of the Department of Justice indicated the probability of widespread irregularities in home improvement loan projects under Title I of the National Housing Act. Investigation has led to about 300 indictments and 120 convictions of home improvement contractors, under the direction of the Criminal Division. Special Grand Juries were convened in Washington, D. C., at the request of the Attorney General during 1954, and in Chicago and Detroit.

Investigation revealed a widespread practice of accepting substantial gifts from loan applicants and builders by FHA personnel, especially in the Field Offices. FHA has reported that 6 employees have been dismissed, 3 suspended, 29 reprimanded. Removal proceedings are pending against 3 and 14 resignations have been accepted. No indictments of Government personnel have been secured. The more serious cases are still under investigation, both by the FBI and through Grand Jury proceedings. Clyde Powell, former Assistant Administrator of FHA, who declined to answer most questions asked by the Senate Committee, has been convicted of contempt for failure to respond to certain questions and his appeal is now pending.

The Congressional and Executive investigations also indicated a serious situation in mortgage loan insurance issued under Section 608 of the National Housing Act, designed to encourage the construction of low-cost rental apartments. Of 7,045 Section 608 mortgage loans, a check of 1,547 showed that in 1,040 instances borrowers had obtained FHA insured loans greater in amount than the actual land and construction costs of the projects. These mortgaging-out differentials have been widely referred to as "windfall" profits. A study of the 285 cases having the largest "windfalls" showed $51,000,000 excess of loans over costs.

Distribution of this "windfall" by a corporation has obviously reduced corporate assets available to meet the mortgage payments and consequently increased the risk of FHA as an insurer. The Department is attempting to develop legal procedures aimed at returning the distributed "windfall" profits to the mortgagor corporation and at punishing those guilty of fraudulent practices. Since most of the acts involved in the Section 608 program occurred prior to 1950 (when the Act expired), the statutes of limitation will probably bar criminal prosecution in all but a few cases. Under procedures of the Department, civil cases are not generally commenced until criminal cases are closed, but in this situation every effort is being made to have all the Divisions proceed as nearly simultaneously as is feasible, allowing priority to criminal cases.

The term "windfall" profit has sometimes been loosely equated to an illegal profit, but "windfall" profits are not necessarily illegal. The subject of "windfall" profits is under study in the following situations:

SITUATION NO. 1: The mortgagor borrowed $5,000,000, against a property where the actual total cost was $3,000,000, leaving a so-called "windfall" of $2,000,000. Where this excess is still in the possession of a mortgagor who is not in default on his obligation, the United States has not sustained any damage. If the mortgagor made false statements in his mortgage loan application on which FHA relied, there exists the possibility of instituting a civil fraud suit to compel application of the "windfall" to the reduction of the mortgage. However, the amount of the insurance commitment, according to public statements of FHA personnel, was based on FHA estimates rather than the borrower's estimates, which if proven would eliminate the element of reliance on the borrower and diminish or remove the possibility of success in a fraud action. Consideration is also being given to proceeding against the fraudulent mortgagor under the False Claims Act (31 U.S.C. 231) which provides for a $2,000 forfeiture plus double damages for knowingly presenting a false claim for payment or allowance by a Government agency.

Rescission of the contract of insurance for fraud would also appear to be a possible remedy. However, the statute as enacted makes insurance commitments to the lending institutions incontestable in the absence of proof of fraud on the part of the lending institution. There is, therefore, a real obstacle to the theory of rescission as a remedy. However, the scope of the responsibility of the bank in this type of situation is under study.

In cases where there has been no fraud, we are also preparing to test the obligation of the borrower to apply the "windfall" to the mortgage. However, it should be realized that the greatest hope for the reduction of the element of risk to FHA as an insurer lies in the continuing and close supervision of the mortgagor corporation while the loan remains unpaid, in an effort to prevent the dissipation or distribution of the "windfall."

SITUATION NO. 2: Where the "windfall" has been distributed but the mortgage is not in default, we have different problems. There the Government has suffered no legally provable damage but the corporate capital has been impaired and the ultimate risk of the insurer increased. In such cases the distribution has usually been accomplished in one of the following ways: (1) stock redemption, (2) dividend distribution, (3) excessive payments to the building contractor, (4) excessive management and other fees, (5) unsecure loans to stockholders, etc.

Where stock has been redeemed, the redemption may be in violation of the corporate charter provision prohibiting changes in capital stock without FHA approval. Where the "windfall" has been distributed as a dividend, the distribution may have been in violation of the corporate charter limiting dividends to net earnings. In either case the distribution may possibly be recovered through a stockholders derivative action or by FHA assumption of corporate control, as authorized by the charter, followed by corporate action against the parties responsible for and benefiting from the illegal distribution. One such case is now pending in New Jersey (Sarner, et al., v. FHA). In that case a $2\frac{1}{4}$ million dollar "windfall" was distributed through stock redemption and by way of an unsecured loan to one of the project sponsors; and the right of FHA under these circumstances to take control of the corporation for the purpose of correcting the alleged defaults is now being tested. Delaying tactics and a temporary injunction by the corporation have forestalled a conclusion as to the merits for more than four months. A second test case which will determine the right of FHA to force the repayment of dividends through a stockholders derivative action has just been submitted by FHA and, if in order, a complaint will be filed as soon as possible.

Where more subtle methods have been used to distribute the "windfall", such as the payment of excessive profits and fees, the burden will be on FHA either as a creditor or stockholder to establish a fraudulent conveyance.

SITUATION NO. 3: There are other cases where the "windfall" has been distributed and the mortgage is in default. In the past, under former FHA bidding practices, deficiency judgments were not common, and hence the Government at foreclosure sales frequently did not establish a base of the real loss suffered. However, at the request of the Department of Justice, bidding practices at foreclosure sales were reviewed by FHA, the Department urging that the procedures be revised so that bids will not exceed the actual appraised value, on a reappraisal made at the date of foreclosure. The Department of Justice considers revision of FHA practices, and possibly revision of the relevant statutes, imperative to protect the Government's interest. If the Department's suggestions are followed by FHA, deficiency judgments will be more frequent and the principal problem will be the locatio and recapture of assets wrongfully diverted. One foreclosure action in New Orleans is now in process in which the "windfall", amounting to almost $3\frac{1}{2}$ million dollars, was distributed by way of an inflated construction contract. In the event of a large deficiency judgment (which appears likely). action will be taken to recover the amount so siphoned off.

EFFECT OF "WINDFALL" ON RENTS: In these cases where there has been no loan default and hence no present damage to the Government, the fact remains that the tenants are bearing the cost of the "windfall," since rent ceilings were predicated by FHA upon the amount of the loan and not upon the actual cost of the property. Several suits by tenants against FHA and the borrower have been filed in an effort to force a downward adjustment of rents to conform to actual cost.

TAX ASPECT: Another avenue of approach has been tried in four pending Tax Court cases, the Commissioner of Internal Revenue claiming that the "windfall" profits received by the stockholders of the borrower corporation are ordinary income rather than capital gains. On January 31, 1955, the Tax Court handed down its decision in *George M. Gross*, 23 T.C. No. 97. This was a test case which has been pending in the Tax Court for some time to determine the status for federal income tax purposes of distributions to stockholders of so-called "windfall" profits by corporations engaged on FHA projects. The decision of the Tax Court was unanimous, all 16 judges concurri in the result. The case held that the distributions in question were to be treated by the stockholders as capital gains, rather than ordinary income, for tax purposes. To a degree, a conflict of position between the tax and other civil cases exists since the latter proceed upon the theory of an impairment of capital, whereas the former must assert that income alone is distributed. Both positions must be asserted until the Courts finally resolve the question.

We cannot forecast the ultimate results of pending and contemplated litigation at this time. The ordinary course of litigation will put the determination of test cases well into the future, possibly two to three years or more.

Tightened regulations and administrative procedures by FHA, akin to those common in commercial mortgage handling of loans, can prevent future recurrence of these difficulties and reach back in some cases to improve the prospect for recouping past distributions.

In all of the administrative phases attorneys of the Department of Justice have worked closely with FHA counsel, assisting with investigations, reviewing regulation and legislative proposals, preparing proper records for litigation, and even counseling informally on administrative-legal problems. Within this Department, all FHA work has been centralized by a temporary interdivisional Housing Committee under the direction of an Assistant Attorney General, who has been reporting directly to the Attorney General on the progress of these activities, and a special housing unit has been established in the Criminal Division.

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CA - 15

March 9, 1955

The White House

Washington

THE CABINET

Agenda

9:00 A.M.
Friday, March 11, 1955

1. Report on his Trip to Central America	(Oral)	The Vice President
2. Report on his Trip to the Far East	(Oral)	The Secretary of State

NOTE: Cabinet Meeting will be followed, at 10:00 AM, by the scheduled meeting of the Sub-Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By BHC NLE, Date 4-12-77

MINUTES OF CABINET MEETING

March 11, 1955

9:00 a.m. -- 10:05 a.m.

The following were present:

President Eisenhower

Vice President Nixon

Sec. Dulles
Sec. Humphrey
AG Brownell
PMG Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Mr. Hughes, BoB
Mr. Fitzgerald, FOA
Dr. Flemming, ODM
Mr. Young, CSC
Chairman Burns, CEA
  Mr. Walter Stewart
Director Streibert, USIA
Mr. Folsom, Treasury

Mr. Robert King, Vice President's Office (in part)
Mr. William Rogers, Justice (in part)

Gov. Adams
Gen. Persons
Mr. Cutler
Mr. Anderson
Mr. Rockefeller
Mr. Hagerty
Mr. Shanley
Mr. Snyder
Gov. Pyle
Mr. Seaton
Dr. Hauge
Mr. Martin
Mr. Rabb
Mr. Minnich

Report on Central America - The Vice President noted that he had reported at the NSC meeting the day before, hence he would try to avoid duplicating this morning.

The Vice President felt the United States must keep this part of the world very much in focus. The Latin American countries are very close to us geographically, and they are our best customers, buying more from us than does either Europe, or Asia-Africa-Australia combined.

The Vice President emphasized the predominance of one-man rule in these states -- the rulers are virtually the governments.

The Vice President made a number of comments on individual rulers he had met. President Batista was a very remarkable man, having risen from the grade of Army Sergeant. He seemed now to be desirous of working for Cuba rather than himself, and is greatly concerned with the social development of the country. Mr. Batista, although he rose

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to power in 1934 with the help of the Communists there, now claims he will deal effectively with them. The Vice President noted that Communists are more numerous in Cuba than in the United States.

President Cortines of Mexico, an honest, capable leader with a real feeling for his people, is one of Mexico's most important assets. The real problem there is the absence of a substantial middle class, all the more significant because of the need for economic development of the country. It appears that Cortines will encourage an inflow of capital. Also a new group of Mexican industralists is beginning to develop. Extensive effort is being given to educational progress. The question of communism is also important here, because Mexico serves as the headquarters of communism in the Western Hemisphere.

Regarding Guatemala, the Vice President said, the people there were intensely relieved by the removal of the Communist Government which for years had promised everything and produced nothing except corruption, denying individual freedoms at the same time. The Vice President saw a great potential for advancement under President Armas, who is a middle-of-the-road type and has overwhelming popular support. United States assistance to Armas would make possible more real accomplishment in the next few years than over the past 10.

In Salvador, the President is trying to build up the middle class. No major problems exist internally, but currently the government is not as friendly toward the United States as it might be.

Honduras, the Vice President said, was a most pleasant surprise. Political stability had been achieved in the face of a situation ripe for revolution. The efforts of the United Fruit Company to train agricultural students are very useful and are the more appreciated since the students are not allowed subsequently to work for United Fruit but must return to their own country.

In Nicaragua, the Vice President was exposed to the great rivalry between that country and Costa Rica. Particularly noteworthy was the educational development at Point IV installations, particularly a model dairy which the Vice President visited.

President Figueres of Costa Rica is extremely popular with his people and has adopted some democratic practices. The country has a delightful climate.

In Panama, the major problem is the political one resulting from the tragic loss of President Remon. Once the succession is determined, the Vice President thought, things would be better.

The people of the Dominican Republic, and particularly Trujillo, have a great obsession with making progress. Here is obvious the philosophical question as to what merit there is in dictatorship

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when efficiency rather than liberty seems most desired. The Vice President felt that the United States must deal with these governments as they are and rely on working over a period of time towards more democracy.

Puerto Rico, the Vice President said, has the highest per capita income of all the countries he visited, and is probably the most democratic of them all. The Vice President commented at some length on the personality of Munoz Marin, and also Mrs. Munoz Marin, who has a great admiration for the United States' humanitarian use of its tremendous power.

Haiti was to the Vice President a picture in proverty and pregnancy. He could only hope that they would find some resources to help them along.

With regard to the whole area, the Vice President emphasized the importance of trade and capital development. The United States must realize that the extent to which we reduce or block their exports (as for instance with Cuban sugar), so will our exports to them decline. He hoped that the EX-IM Bank would intensify its processing of loans, that the Inter-American Highway could be completed, and that cultural exchange programs could be extended. Such information and exchange programs as we have are good, but in all of these countries a very few organized people could take over control, hence we need to concentrate more on developing friendship toward the United States.

The President inquired whether the standard of living in Puerto Rico was higher than that of the Dominican Republic. The Vice President replied strongly in the affirmative for the countries in their entirety, although conditions are relatively similar in the major cities. Sec. McKay commented that the Puerto Rican standard of living is lower than even Mississippi, the lowest in the United States. Sec. Mitchell inquired about trade union strength, and the Vice President replied that it was strong in Mexico but not elsewhere.

Report on the Far East - Sec. Dulles said he was encouraged about our position in the Far East generally, that the treaty organization under the Manila Pact has had a good beginning and is going ahead, and that the people, and particularly the leaders, of Southeast Asia are vigorous and capable. He noted that Burma is an exception from the others in its neutralist spirit.

Mr. Dulles felt he had gotten increased insight of Chinese Communist purposes -- that they were much more virulent than he had previously thought. Particularly from U Nu and from Mr. Eden, who has been working for a solution of the Formosa Straits problem, Mr. Dulles obtained the impression that the Chinese Communists have a fanatical determination to obliterate any U.S. influence in that part of the world.

Regarding Formosa, Sec. Dulles said that he had a distinct feeling, but without tangible evidence, that there could be much subversive

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By DHC NLE, Date 4-12-77

activity in Formosa if we press Chiang too hard. Chiang does continue to talk of a return to the mainland, but he accepts the U.S. position and says that he will not attempt any return without U.S. concurrence.

Sec. Dulles thought the Chinese Communist would continue to exert pressure until they found the point where we would have to react by shooting; he added however that this might be merely a war of nerves. He continued to think that the Chinese, with their hatred for the West, aimed to take over Southeast Asia and would prefer to die in the effort than fail to accomplish it.

Mr. Dulles concluded that the United States must be prepared to face a quite serious showdown in that part of the world. While it is not possible to judge whether Russia is backing the Chinese effort or is without control over it, the evidence is that Russian actions are minimal. Nevertheless, there could be secret Russian support of the Chinese. In any event, any acceptance of further defeats or withdrawals, he said, would greatly jeopardize U.S. interests and position in Formosa and all of Southeast Asia.

Lam
L. A. Minnich, Jr.

Copy to:
✓Mrs. Whitman (2)
Mr. Gray
Mr. Minnich

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RA - 15
March 11, 1955

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of March 11, 1955:

Item

1. Report on the Vice President's Trip to Central America

   /Information Item Only/

2. Report on The Secretary of State's Trip to the Far East

   /Information Item Only/

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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MINUTES OF CABINET MEETING

March 18, 1955
9:00 A. M. - 11:20 A. M.

The following were present:

President Eisenhower

Under Sec. Hoover
  (for Sec. Dulles)
Under Sec. Folsom
  (for Sec. Humphrey)
Sec. Wilson
Mr. Brownell
Assistant PMG Abrams
  (for Mr. Summerfield)
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Deputy Director Brundage
  (for Mr. Hughes)
Gov. Stassen (in part)
Dr. Flemming
Chairman Young
Amb. Lodge
Dr. Burns

Judge Stanley N. Barnes,
  Asst. Attorney General (in part)
Hon. Edward F. Howrey, Chairman,
  Federal Trade Commission
  (in part)

Gov. Adams
Gen. Persons
Gen. Cutler
Mr. Rabb
Mr. Shanley
Mr. Morgan
Mr. Hagerty
Mr. Murray Snyder
Gov. Pyle
Mr. Minnich

Secretary Benson's Report - In reporting on his visit to nine Caribbean countries in thirteen days, Secretary Benson made the following general comments: The population of each of the countries is predominantly rural; government officials are agriculture-minded; there is a great potential for development in each country, particularly in regard to agriculture; the determination to carry through agricultural improvements exists and a rapid transition from traditional to modern techniques is under way but on a necessarily limited scale; good will toward the United States is everywhere apparent, and American personnel are doing their jobs well; our activities are perhaps over-staffed in a few places; the Caribbean area is of vast importance to us because of imports and exports.

Secretary Benson took note of specific important research and experimentation projects under way, such as livestock breeding in Cuba; citrus, cocoa and cane sugar in Trinidad where the Imperial College of Tropical Agriculture is located; coffee, cocoa and cattle experimentation at the Inter-American Academy of Agricultural Science in Costa Rica; the extensive irrigation programs in Costa Rica, and the TVA-type development at Colombia where emphasis is on big dams at the expense of upstream conservation; the small farm development in Venezuela -- subsidized heavily by the Government and made possible by the immigration of some 2,000 Europeans each month (Venezuelans themselves are completely devoted to oil); and dairy experimentation in Nicaragua.

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By ITJH NLE DATE 4/25/77

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Secretary Benson concluded by saying that if he were a young man he would go south - not west!

Disarmament Conference - Ambassador Lodge recalled the disarmament conference last year when England, France and the United States developed a plan for limiting use of atomic weapons to defense against aggression and a fair, balanced program of disarmament in conventional weapons as well. At the current London Conference the Russian delegates backed away from the support Vishinsky gave this plan last fall. In general, the Russians followed a very tough line at London, apparently on orders from Moscow. At social meetings, the Russians acted in a manner suggesting that they were embarrassed by their tough official line which, if adopted, would in effect touch off an armaments race.

Ambassador Lodge also referred to Britain's new-found confidence that tiny England could survive against vast Russia. He noted also that the British newspapers just do not express anything of the American point of view in regard to the situation in the Far East.

Mr. Lodge commented finally on the importance of the NATO Status of Forces Agreements which may come under attack in the Senate. He related several incidents in which the existence of these treaties had proved advantageous to the United States.

Communist Informers - The Attorney General called to the attention of the Cabinet the Jenks Case which had come up for re-trial in Texas because the original trial had been partially based on evidence from Matusow. He stated that the Judge had now ruled that the original testimony of Matusow was true and that Matusow's recantation was false. He quoted at length the Judge's finding to the effect that the Matusow recantation had been motivated by a desire to publicize his book and by a Communist effort to discredit the US courts. The President commented that this finding tended to strengthen the Administration position in regard to the conduct of Employee Security cases and the question of confronting an employee with adverse witnesses.

The Attorney General then stated that two more organizations had been placed on the list of subversive organizations -- the Labor Youth Association and the Jefferson School, both of which constituted a principal mechanism of recruiting for the Communist Party.

The President ascertained that efforts had been made to discuss with Senator Cain the speeches he made recently. The President believed Cain, as a Republican Administration official, should discuss these issues privately in advance of public statements.

Anti-Trust Study (CI-13/1) - The Attorney General reviewed various statements by the President which led up to the formation of the Committee to study the anti-trust laws. He noted also that the Justice Department thus far has brought more anti-trust cases into court than had been done in past years, had completed more cases, had emphasized equality of enforcement by bringing cases both against business concerns and against labor unions where collusion was apparent between the union and industry, and had carried on successfully a program of "settlement negotiations" prior to bringing suit. The President asked for examples of collusion between a labor union and industry. The Attorney General cited the practice of

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E.O. 11652, Section 1

By DHC NLE, Date 8-5-76

a union agreeing not to handle the products of a competing firm. Secretary Wilson gave an example of unions telling contractors what jobs they should bid for. Secretary McKay told about the West Coast laundry drivers who forbid the investment of money in a new laundry unless the union consented. Secretary Benson asked if there had been a settlement negotiation prior to a certain dairy case in Maryland. Judge Barnes explained that no suit had yet been brought.

After the Attorney General noted that the Committee had proposed no basic change in the Sherman Act, the President asked if all 61 members of the Committee were lawyers. The President also asked if any business men had been on the Committee. Judge Barnes pointed out that only 47 were lawyers while the other 14 were Professors of Law, etc. He stated that many of the lawyers represented business concerns. In reply to a similar question, the Attorney General stated that there had been no labor representation on the Committee.

Section 4 gave rise to extensive discussion. Mr. Brownell described the study made by the Anti-Trust Division concerning the effect of fair trade pricing in the Washington Metropolitan area. That study had found that the price to the consumer was about 28% higher in fair trade areas. He said that this section of the report would be very controversial but that the subject had been discussed with Republican members of the House Judiciary Committee who concurred in the need for changing the law.

The President asked if a firm could continue to set up its own distribution system, whereupon Mr. Brownell replied affirmatively. Secretary Wilson said that such a system was difficult because of inventory problems. Secretary Benson believed the laws ought to be titled "Unfair Trade Laws", to which the Attorney General agreed.

The President asked if this change would affect national advertising by individual concerns. Mr. Brownell believed not. Mr. Howrey concurre[illegible]

The Attorney General stated that the Committee recognized legitimate reasons for exclusive dealer arrangements so long as they did not prevent competition. He went on to say that five states had held these laws unconstitutional. Mr. Folsom cautioned against underestimating the pressure from small retailers for a continuation of fair trade. The Attorney General invited Judge Barnes to tell of his experience with G.E. Judge Barnes noted the G.E. practice of bringing suit against violations of fair trade agreements on one day, and turning around the next day to offer bargain prices so as to reduce inventories. Judge Barnes believed that only two firms strictly adhered to their fair trade agreements while many others merely paid it lip service. The President agreed that the measure might be very unpopular. Secretary Benson and Mr. Brownell asserted that the change would have the support of consumers. Secretary McKay referred to the practice of special labels for brands sold in chain stores, and went on to say that the change could be cited as favoring big business at the expense of small business. The suggestion was made that an educational campaign could be undertaken as to the facts of the situation but General Persons was doubtful of the effectiveness of it in view of the many years in which Representative Patman has been demagoging about small business.

In connection with Section 5, Secretary Wilson cited a problem which Defense faces with regard to patent or proprietary rights as related to

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spreading production over a number of concerns. The Attorney General stated he would discuss it with Secretary Wilson.

On Section 6, Secretary Mitchell cautioned that the Committee report might be laid at the door of the Administration. He noted that the Committee did get into matters of direct concern to labor unions even though no labor-experienced people were on the Committee. The Attorney General described his plans for receiving the report from the Committee on March 31st, after which he would develop recommendations on certain parts for presentation to Cabinet and the President. Mr. Mitchell said that people already believed parts of this report represented Administration position. Secretary Wilson suggested a change in the language of the report.

Ambassador Lodge stressed the political dynamite of this section which might cause rank and file members of the labor unions to follow the political inclinations of the union leaders. He later ascertained that the report could not be changed since the Committee had finished its work. The Attorney General stressed that he would issue a statement emphasizing that the Committee report does not constitute Administration position. The President cited the handling of the report of the Energy Resources Committee as a desirable precedent.

Secretary Weeks recalled the Allen Bradley case of 1946 in which the finding was made that unions could not combine with employers. He said that the subsequent Hutcheson decision allowed the unions to accomplish the same purpose, so long as they were not directly tied in with the employers. He cited certain labor practices which keep new products off the market, and he felt there should be legislation to stop such practices. The Attorney General indicated that he would take all of these suggestions under consideration in formulating the recommendations.

The Attorney General invited Chairman Howrey and Judge Barnes to make any additional comments they had. Neither of them wished to comment further.

Office of Strategic Information - Secretary Weeks recalled the mission set by the NSC for (1) developing some awareness among publishers as to the manner in which the Soviet can benefit from publication of certain types of unclassified material, (2) setting up an advisory Committee of Government Agencies, (3) establishing another Committee on International Exchange of Publications, and (4) creating a central place to which industrial publishers can look for guidance on strategic value of particular items of information.

Mr. Honaman commented on the willingness of the press to discuss this situation which they recognize as a problem, but considerable time will be necessary to strengthen the cooperative relationship. He reviewed several incidents where a compilation of nonclassified items resulted in a larger picture meriting classification. He pointed out that some published material is received from behind the Iron Curtain by scholarly groups but that it should have better distribution to interested authorities. In conclusion, he stated that the Department of Commerce was operating a central advisory office along with the other coordinating functions under way.

The President re-emphasized the value of this work and recounted some of his own experiences with regard to the value of nonclassified material. He realized that much of this material cannot properly be classified but

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that voluntary restraints were very much in order.

In connection with Secretary Weeks' remark that a Congressional Committee would undoubtedly want to investigate any action taken by Secretary Wilson to discipline individuals guilty of improper release of material, the President stated his lack of concern over investigations when the security of the country is involved.

Mutual Security Program - Because of the lateness of the hour, Governor Stassen did not comment in detail on his trip, but rather used the time to show how the program to be recommended to Congress would meet several of the Asiatic problems he encountered. He stressed the need for maximum flexibility to allow the Administration to meet the Asian problem as best it can with modest funds. He took note of Communist efforts to relate the Japanese economy to Manchuria, to influence Japanese labor unions, to develop economic interests in India and in Indonesia. The American program in broad terms would be designed to counteract these efforts. He said the economics of the situation are sound but that the political situation is complex and precarious. He noted that Congressional approval is currently the key to the situation.

Disarmament - The President recalled his search for a person to head up a study of disarmament policy, and he expressed gratification that Governor Stassen had agreed to take on the job. Prior to Congressional action on the Mutual Security program, however, Governor Stassen would not devote full time to the study. The President stated his belief that the matter was well worth the entire attention of a Special Assistant to the President and he indicated to the Cabinet that Governor Stassen would be working closely with them.

* * * *

Before adjourning the meeting the President took note of his 11:30 appointment on the Energy Resources report. He invited Dr. Flemming to sit in on the meeting.

lam

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

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March 16, 1955

The White House

Washington

THE CABINET

Preview of the Anti-Trust Report

For information of Cabinet Members, attached is a copy of a preview or summary of the coming Report of the Attorney General's National Committee to Study the Anti-Trust Laws. This preview has been prepared by the Attorney General from the Report itself, which is some 350 pages long. The full Report is expected to be formally transmitted to the Attorney General, and made public, on March 31.

The attached preview is divided into sections which correspond with those in the full Report. It is followed by two appendices:

I - Committee History and Operation

II - List of Legislative Recommendations

The attached paper is being circulated as background for the discussion of this subject by the Attorney General, Judge Barnes and FTC Chairman Howrey at the coming Cabinet Meeting.

Recipients of this paper are requested to take special measures to protect its contents from premature release.

Maxwell M. Rabb
Secretary to the Cabinet

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March 16, 1955

Preview of the Report of the Attorney General's Committee to Study the Antitrust Laws

I. Committee Members

Announced in late August 1953, the Committee's 61 members include practicing lawyers, law professors, and economists -- experienced men from all parts of our country who counsel all sizes and types of business enterprise. Our aim in selection was to gather articulate spokesmen for divergent views on issues of antitrust policy. Co-Chairmen are Stanley N. Barnes, Assistant Attorney General in charge of the Antitrust Division, and S. Chesterfield Oppenheim, Professor of Law, University of Michigan Law School. The Committee's final report will be released, we expect, at this month's end.[1]

II. Report Content

This Report covers eight major antitrust areas: (1) Sections 1 and 2 of the Sherman Act Generally (Monopoly and Restraint of Trade); (2) Trade or Commerce With Foreign Nations; (3) Mergers; (4) Antitrust Policy in Distribution; (5) Patent-Antitrust Problems; (6) Exemptions from Antitrust Coverage; (7) Economic Indicia of Competition and Monopoly; and (8) Antitrust Administration and Enforcement. Crucial recommendations in each of these areas are summarized as follows:

(1) Sections 1 and 2 of the Sherman Act Generally

(a) Generally - Antitrust Development Approved. At the outset, the Committee concludes that "Although many forces and other Government policies have materially promoted our creative American economy, we believe the antitrust laws remain one of the most important." The group notes further that "a backward look across the 64 years since the Sherman Act reveals on the whole a healthy process of growth through which antitrust fundamentals have gained in strength and effectiveness."

(b) Application of "Rule of Reason." In accord with the classic 1911 Standard Oil decision of the Supreme Court, the Report approves the Rule of Reason guide for all cases. It recognizes, however, that certain conduct, because of its inherent nature or effect, may more quickly be adjudged unreasonable per se. This is true, for example, of agreements to fix prices, control production, or refusal to deal. Such agreements, the Committee feels are "illegal restraints by reason of their necessary effect on competition: accordingly, 'they could not be taken out of that category by indulging in general reasoning as to the expediency or nonexpediency of having made the contracts or the wisdom or want of wisdom of the statute which prohibited their being made.' The nature and character of the contracts, the Court said, created 'a conclusive presumption which brought them within the statute,'"[2] i.e., unreasonable per se.

(c) Absolute size is absolutely irrelevant. Earmarks of monopoly power, the Committee feels, are "the power to control market prices or exclude competition." Such power, however, does not necessarily flow from any particular market share. Thus the Committee endorses the Supreme Court's statement in Columbia Steel.[3] "We do not undertake to

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[1] Attached as Appendix I is a brief sketch of the Committee's history and procedures.

[2] Standard Oil of New Jersey v. United States, 221 U.S. 1, 65 (1911)

[3] United States v. Columbia Steel, 334 U.S. 495, 527-528 (1948)

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prescribe any set of percentage figures by which to measure the reasonablene of a corporation's enlargement of its activities by the purchase of the assets of a competitor. The relative effect of percentage command of a market varies with the setting in which that factor is placed."

(d) Monopoly power need not itself be illegal. Thus the Committee endorses the statement of the court in the United Shoe case[4] that "*** the defendant may escape statutory liability if it bears the burden of proving that it owes its monopoly solely to superior skill, superior products, natural advantages (including accessibility to raw materials or markets), economic or technological efficiency (including scientific researc low margins of profit maintained permanently and without discrimination, or licenses conferred by, and used within, the limits of the law (including patents on one's own inventions, or franchises granted directly to the enterprise by a public authority). "

(2) Trade or Commerce *** with Foreign Nations

(a) Substantial effect on our foreign commerce required for Sherman Act application. Though the Committee rejects any blanket antitrust exemption for activities abroad, the Report emphasizes "that the Sherman Act applies only to those arrangements between Americans alone, or in concert with foreign firms, which have such substantial anticompetitive effects on this country's 'trade or commerce *** with foreign nations' as to constitute unreasonable restraints." Further, the Committee believes that "Conspiracies between foreign competitors alone should come within the Sherman Act only where they are intended to, and actually do, result in substantial anticompetitive effects on our foreign commerce." (Emphasis added.)

(b) Foreign Commerce should include export of capital as well as goods. Thus the Committee rejects any possible implication in Timken[5] or Minnesota Mining[6] that "any American investment for production abroad involves pro tanto a restraint on actual or potential American exports." Today, the Committee emphasizes such "a restrictive construction of the Act could seriously limit its effectiveness as a factor in economic policy." The Committee states also that absent "requisite effects on this country's 'trade or commerce *** with foreign nations' *** it is clear that the mere financing by Americans of manufacturing, mining or other local activities abroad does not come within the Sherman Act."

(c) The Court should consider peculiar foreign commerce conditions. Thus the Committee emphasizes "as a dissenting Justice put it in Timken, that 'circumstances of foreign trade may alter the incidence of what in the setting of domestic commerce would be a clear case of unreasonable restraint.' [7] Thus, *** (it) approves, for example, judicial recognition that, under the Rule of Reason, defendants may proffer evidence that their activities abroad constitute no undue restraint on our foreign commerce since, even absent the challenged conduct, trade in a particular foreign area would be virtually impossible."

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[4] United States v. United Shoe Machinery Corp., 110 F. Supp. 295, 342, (D. Mass. 1953), aff'd per curiam, 347 U. S. 521 (1954).

[5] Timken Roller Bearing Co. v. United States, 341 U. S. 593 (1951)

[6] United States v. Minnesota Mining and Mfg. Co., 92 F. Supp. 947 (D. Mass., 1950)

[7] Timken Co. v. United States, 341 U. S. 593, 605 (1951).

(d) Defense Production Act should be extended and broadened. The Committee feels that "for a designated period beyond the Act's expiration, conduct requested or approved by the President shall not be subject to antitrust. Acts authorized by the President may require committing large funds for long periods of time that may stretch beyond the Act's short extension. To protect such investments, antitrust immunity should, by separate statute, in some instances, be extended beyond that act's termination."

(3) Mergers

The Committee's beginning point is that Congress' "clear object" in amending Section 7 of the Clayton Act was "to strike down some mergers beyond the reach of the Sherman Act." From this object, as well as the meager precedents under amended Section 7, the Committee derives that provision's essential legal tests: for vertical acquisitions, "does the merger foreclose competition from a substantial share of the market;" for horizontal mergers the issue becomes "whether the competition lost as the result of the merger, may in the context of the market as a whole, constitute a substantial lessening of competition or tend to monopoly." In all cases, Section 7, the Committee feels, "should be construed to slow an appreciable growth toward monopoly by even relatively minor acquisitions." Finally, the Committee supplies, as guidance for businessmen, a list of market questions relevant in applying Section 7's legal tests.

(4) Antitrust Policy in Distribution

Here the Committee attempts to harmonize Clayton and Robinson-Patman Act provisions with dominant Sherman Act goals. Reaffirmed at the outset is the businessman's right individually to refuse to deal with any customer except where such refusal forms part of the plan for restraint of trade or monopoly. Similarly, the Committee recognizes those legitimate business motives encouraging exclusive dealerships; accordingly, exclusive arrangements should be struck down only where they "in fact 'foreclose' competitors from a substantial market."

Beyond that, the Committee's treatment of "fair trade" as well as Robinson-Patman provisions reflects its emphasis on unfettered competition. Thus the Committee recommends repeal of "the federal statutory exemption of 'Fair Trade' pricing as an unwarranted compromise of the basic tenets of national antitrust policy." Similarly, proof of substantial injury to competition should be deemed essential to a Robinson-Patman violation. And, to insure Robinson-Patman does not cramp the economies of mass buying, that Act's cost defense (exempting price differences reflecting only cost savings) should be interpreted so that "a reasonable approximation of production or distribution cost variances to price differentials -- when demonstrated in good faith through any authoritative and sound accounting principles -- suffices as a matter of law to meet the requirement for justification" under the cost proviso. In like fashion, the fact a seller cuts prices in good faith to meet a competitor's offer should constitute a defense to a price discrimination charge. And the Committee recommends that antitrust not disturb businessmen's right to grant traditional discounts graduated to wholesalers, jobbers and retailers or to compensate split function buyers, for services actually rendered. Finally, businessmen's right individually either to price f.o.b. mill or absorb delivery cost is reaffirmed.

(5) Patent-Antitrust Problems

The Committee begins "a valid patent grant -- whether basic or improvement -- is a monopoly sanctioned by patent policy and not contrary to antitrust policy." Thus patent acquisition by grant, purchase, or grant back -- by itself -- constitutes no antitrust violation. "Impropriety will arise only where such acquisition is part of an illegal purpose or plan." In addition, the Committee reaffirms those patent license limitations traditionally sanctioned by the Court. The Committee cautions, however, that price fixing limitations are valid only "absent any concerted plan or arrangement aimed at or resulting in industry-wide price fixing." Regarding patent pools, the Committee recognizes, on the one hand, their possible necessity for promoting patent utilization and, on the other, their potentialities for abuse. Accordingly, the Committee feels a pool is "unlawful if formed with the purpose of regimenting an industry, fixing prices and eliminating competition, or threatening litigation with accompanying undue restraint of trade." In like fashion, the Committee recognizes infringement suits may constitute legitimate efforts to enforce patent rights or, in contrast, part of a scheme to monopolize. Finally, the Committee, by close division, condemns compulsory licensing royalty-free or dedication of patent rights. Such relief, a majority feels, goes beyond the Sherman Act's authority to "prevent or restrain" violations.

(6) Exemptions from Antitrust Coverage

This Committee made no original factual inquiries. Accordingly, the Report concludes "It is not within the bounds of our antitrust survey to judge the importance" of any "economic, political, or social objectives" which have inspired Congress to shield "various activities from the rigors of competition." Nor does the Committee appraise "the extent to which anyone of * * * (these goals) might be achieved without antitrust exemption."

(a) Regulated Industries. No legislative recommendation is made for any change in any existing exemption from antitrust coverage. The Committee majority, however, recommends that if "the statutory standard of 'public interest' gives any effect at all to antitrust policy, in a case in which all other factors neutralize one another, it should require a regulatory agency to resolve such an issue in favor of competition, rather than monopoly." Recommended are "broader and more formalized liaison procedures" between the Antitrust Division and regulatory agencies. Thus, conflicting government views can be best reconciled without hardship to interests regulated.

(b) Organized Labor. The Committee emphasizes that "appraisal of the Nation's labor-management relations policy goes beyond this antitrust study." Accordingly, the Committee "considers only those union activities, not directed at * * * established union ends, but instead at direct restraints on commercial competition." The Committee "believes that union actions aimed at directly fixing the kind or amount of products which may be used, produced or sold, their market price, the geographical area in which they may be used, produced or sold, or the number of firms which may engage in their production or distribution are contrary to antitrust policy. To the best of our knowledge, the Committee notes, "no national union flatly claims the right to engage in such activities." The group believes, however, "that where the concession demanded from an employer as prerequisite to ordering the cessation of coercive action against him is participation in such a scheme for market control, this union conduct should be prohibited by some statute."

Reviewing the extent such activities are already barred by antitrust on the Labor-Management Relations Act, the Committee concludes that "to the extent that such commercial restraints not effectively curbed by either antitrust or Labor-Management Relations Act exist, then we recommend appropriate legislation to prohibit these union efforts at outright market control." The Committee cautions, however, that "no one of our conclusions or recommendations implies any change of labor's freedom under the antitrust laws to act in concert in order to promote union organization or bargain collectively over wages, hours, or other employment conditions."

(c) Agricultural Cooperatives. The Committee expressly states that this should not be taken to mean that agricultural cooperatives presently offer any serious threat to effective competition. No legislative recommendation is made for any change in the existing statutory scope of antitrust exemption for agricultural cooperatives. But the Committee interprets this exemption as to permit enforcement of antitrust prohibitions when the questioned conduct goes beyond the Congressionally approved objectives of agricultural cooperatives set forth in the existing statutory exemptions.

(7) Economic Indicia of Competition and Monopoly.

This section first examines the economic benefits most economists conclude generally flow from competition. Second, to aid the businessman in understanding basic economic terms, it considers economic definitions of "monopoly," "competition," and "workable competition." Finally, this portion compares legal and economic concepts of competition and monopoly.

(8) Antitrust Administration and Enforcement.

Here the Report considers enforcement problems faced "not only by the Department of Justice and the Federal Trade Commission but also treble damage litigation." Initially, after reviewing the means available to the Department to compel production of data before filing a complaint, the Committee concludes that inability to compel pre-complaint data where civil proceedings are contemplated has forced unwise use of the grand jury process. To obviate the necessity for the grand jury, where civil action is contemplated, the Committee recommends legislation authorizing the Attorney General to issue a civil investigative demand. This would enable him to compel production of books and records before filing a complaint.

Beyond investigation, the Committee sets strict limitations on those cases where criminal action is justified. The Committee feels, however, that the present $5,000 ceiling on fines per count should be increased to $10,000.

Where civil proceedings are instituted, the Committee approves "judicial reluctance to grant drastic relief" like divestiture as "firmly grounded in considerations and policy." In addition, the Committee approves emphasis on consent settlement negotiations as avoiding the rigors of lengthy and costly trials. Where trials are necessary, however, the Committee suggests means for simplifying proof and expediting trial. The Report, in addition, considers means for insuring Federal Trade Commission and Antitrust Division cooperation "in their dual administration of the antitrust laws." "It is basic to all relations between the two agencies," the Committee feels, "that both should never for any reason, including differences in views as to the law or the facts, proceed against the same parties for the same offense growing out of the same factual situation."

Considering private antitrust suits, the Committee recommends enactment of a discretionary, rather than a mandatory, treble damage provision, as well as a federal statute of limitations. In addition, it urges granting the federal government the right to sue for single damages stemming from antitrust violations.

/s/ HERBERT BROWNELL, JR.
Attorney General

APPENDIX I

COMMITTEE HISTORY AND OPERATION

On June 26, 1953, when the Attorney General announced his intention to establish a National Committee to Study the Antitrust Laws,[1] the President of the United States expressed the hope that this group would "provide an important instrument to prepare the way for modernizing and strengthening our laws to preserve American free enterprise against monopoly and unfair competition."

On July 9, 1953, the Attorney General appointed Stanley N. Barnes, Assistant Attorney General in charge of the Antitrust Division, and S. Chesterfield Oppenheim, Professor of Law, University of Michigan Law School, as Co-Chairmen. The Co-Chairmen immediately began the task of making recommendations to the Attorney General for the selection of Committee members. Over a period of a few months, including consultation by the Co-Chairmen with the Attorney General, the composition of the Committee took form. A tentative membership list was reviewed by the Attorney General with the President of the United States. Finally, in late August, the Co-Chairmen announced the Committee's membership. The Co-Chairmen appointed Robert A. Bicks Executive Secretary of the Committee to aid them in the discharge of their duties.

Except for the Secretary of Commerce, the Chairman of the Federal Trade Commission, the Administrator of the Small Business Administration, and the Assistant Attorney General in charge of the Antitrust Division, Co-Chairman Oppenheim and all members served as private individuals.[2] Members include lawyers who counsel all sizes and types of business enterprise, law professors and economists -- all specialists in the antitrust or cognate fields. No member was picked as a representative of any industry, section of our economy, or law firm. Instead, the Co-Chairmen's aim in selection was to gather men who reflect interacting views on issues of antitrust policy.

Once members were selected, the Co-Chairmen divided antitrust problems into major areas for study purposes. These eventually included Sections 1 and 2 of the Sherman Act Generally, Foreign Commerce, Distribution, Mergers, Patents, Exemptions, Economic Indicia of Competition and Monopoly, and Antitrust Administration and Enforcement.

Work groups roughly corresponding to these areas were organized and Committee members assigned to each. Mergers and Economic Indicia of Competition and Monopoly were initially coalesced with the Sherman Act Generally but were later given separate consideration. In this work group process almost all Committee members participated. In addition, some work groups were aided by conferees chosen by the Co-Chairmen for their qualifications in a particular area. Antitrust Division as well as Federal Trade Commission legal and economic staff members specializing in particula antitrust areas worked as liaison with the Co-Chairmen on relevant Committe work groups. In such manner, the Co-Chairmen sought to insure that practica problems of antitrust administration and enforcement were at all times befo the Committee.

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[1] Address by the Attorney General of the United States on "Our Antitrust Policy," before the Fourth Circuit, Judicial Conference, June 26, 1953.

[2] By special arrangement with the University of Michigan Law School, Co-Chairman Oppenheim devoted the major part of his time to the Committee.

Liaison was also established with other government agencies. Views were received from the Departments of State, Commerce, Defense, and Labor, as well as the Foreign Operations Administration. In addition, the Co-Chairmen invited views from any and all outside parties and, as a result, numerous private groups submitted material which was circulated among the Committee. In this way, the Committee had the benefit of ideas not only from within its own ranks, but also from a range of government and private groups.

Each work group, headed by a Committee member or members appointed by the Co-Chairmen, proceeded to outline its plan for study. Parts of each agenda were assigned to work group members for initial drafting. These drafts, in turn, formed the basis for intensive work group discussion. The subsequent drafting and revision process involved both consultation with government liaison and work group conferees and numerous work group meetings in various parts of the country. Before and at these meetings, draft reports were circulated and analyzed. The product of the resulting rigorous debate, enduring from four to eight months, was the formulation of each area report.

The area reports were submitted to the Co-Chairmen and circulated to each member of the Committee by July, 1954. From these reports, and members' comments on circulated drafts, the Co-Chairmen formulated the first draft of the over-all Committee Report. This over-all draft was circulated to the full Committee in August 1954 and discussed intensively by the full Committee at a three-day meeting in Ann Arbor, Michigan, late that month.

At that meeting, numerous Committee decisions regarding additions and revisions were made. These changes were effectuated by the Co-Chairmen and a revised over-all draft was circulated to the Committee in December 1954. This revised draft, in turn, was considered by the full Committee in a four-day meeting held in Washington later that month.

At that second full Committee meeting, changes were again directe by the Committee. These were made by the Co-Chairmen and a tentative final draft was circulated to the Committee for approval in February 1955. Final after a number of changes were again incorporated, the draft was printed an will be transmitted to the Attorney General on March 31, 1955.

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APPENDIX II

LIST OF LEGISLATIVE RECOMMENDATIONS OF THE ATTORNEY GENERAL'S NATIONAL COMMITTEE TO STUDY THE ANTITRUST LAWS

1. Sections 1 and 2 of the Sherman Act Generally

No legislative change

2. Trade or Commerce with Foreign Nations

(1) Defense Production Act (50 U.S.C. App. Sec. 2061 et seq., as amended June 30, 1953) should be extended. And a separate statute should provide antitrust immunity beyond the Defense Production Act's expiration for presidentially approved projects requiring large investment. (See Report, pages 91-92)

3. Mergers

No legislative change

4. Distribution

(1) The Miller-Tydings Amendment to the Sherman Act (15 U.S.C. Sec. 1) and the McGuire Amendment to the Federal Trade Commission Act should be repealed. (See Report, pages 132-138)

(2) Robinson-Patman Section 2c (brokerage provision)(15 U.S.C. Sec. 13 (c)) should be amended to revitalize the "except for services rendered" clause. (See Report, pages 167-172)

(3) Robinson-Patman Section 3 (criminal penalty for discriminatory practices)(15 U.S.C. Sec. 13 (a)) should be repealed. (See Report, pages 177-181)

5. Patents

No legislative change

6. Exemptions

(1) Regulated Industries. No legislative change

(2) Organized labor. "To the extent that 'union restraints on commercial competition' not effectively curbed by either antitrust or Labor-Management Relations Act exist, then * * * (the Committee) recommends appropriate legislation to prohibit these union efforts at outright market control." (See Report, pages 263, 275)

(3) Agricultural cooperatives. No legislative change

7. Economic Indicia of Competition and Monopoly

No legislative change

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8. Antitrust Administration and Enforcement

(1) New statue authorizing the Attorney General to issue a civil investigative demand compelling potential antitrust defendants in civil cases to produce relevant books and documents (See Report, pages 314-316)

(2) Amendment of Sherman Act, Section 1 (15 U.S.C. Sec. 1) to increase maximum criminal penalties from $5,000 to $10,000 on each count. (See Report, pages 319-320)

(3) Amendment of Federal Trade Commission Act, Section 5 (15 U.S.C. Sec. 45) repealing present $5,000 per day ceiling on fines for violating orders, leaving instead a ceiling of $5,000 per violation. (See Report, pages 334-337)

(4) Amendment of Clayton Act, Section 4 (15 U.S.C. Sec. 15 to provide for discretionary triple damages in private antitrust suits. (See Report, pages 340-342)

(5) Amendment of Clayton Act, Section 4 (15 U.S.C. Sec. 15) to provide a 4-year federal statute of limitations, running from accrual of the cause of action, for private antitrust suits. (See Report, pages 343-347)

(6) Amendment of Clayton Act, Section 4 (15 U.S.C. Sec. 15) to give the United States Government the right to sue for single damages stemming from antitrust violations. (See Report, page 343)

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MINUTES OF CABINET MEETING

March 25, 1955
9:05 A. M. - 10:45 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles and
  Asst. Sec. Holland (in part)
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Deputy PMG Hook
  (for Mr. Summerfield)
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Deputy Director Brundage
  (for Mr. Hughes)
Gov. Stassen
Dr. Flemming
Chrm. Young

Gov. Adams
Gen. Persons
Mr. Harlow (in part)
Gen. Cutler
Gov. Pyle
Mr. Rockefeller
Dr. Hauge
Col. Goodpaster
Mr. Shanley
Mr. Murray Snyder
Mr. Rabb
Mr. Minnich

The Disarmament Question - Gov. Stassen briefly pointed out that he had talked with Sec. Dulles, Sec. Wilson, Adm. Strauss and the Joint Chiefs about the disarmament study and that he was drawing together an analytical staff from State, AEC, and the three Services.

Gov. Stassen outlined the objectives of maintaining constantly the focus on the President's great objective of peace along with maintaining constant recognition of the fact that unilateral disarmament as well as armament races have frequently been associated with the causes of wars. He cautioned against any tendencies developing towards a feeling of cynicism or hopelessness for the impact on world opinion would be terrible should the United States forego the search for disarmament.

Inter-American Highway - After distribution of a map of the Highway, the Vice President recommended that the United States accelerate the construction program to which we are already committed, and thus to accomplish it in three years instead of in fifteen or twenty. He believed completion of the Highway would result in political benefits from improved Latin-American relations, economic benefits from development of the economies of the Latin American states and from increased "tourism", and perhaps some military benefits. He described how this project would provide the essential economic aid for Guatemala without having to single out that country for an aid program.

The Vice President stated that an additional authorization would be required from Congress and also a larger appropriation than we currently

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intended to ask. He stated that Commerce had been consulted, that Budget is aware of the problem and is preparing financial estimates, and that the House Committee is very sympathetic although it will require a statement of Administration position.

The President asked several technical questions about the authorization, road building in the tropics, and distances. Mr. Holland supplied appropriate answers. The Vice President indicated that only Guatemala would be hard pressed to provide its share of the financing and that a loan for this purpose could probably be secured from the Export-Import Bank. Sec. Benson ascertained that the Bureau of Public Roads had sufficient authority to prevent overloading and subsequent deterioration of the Highway.

Mr. Dulles and Mr. Holland spoke in favor of acceleration, whereupon the President asked Sec. Humphrey if he wished to comment before adoption of a position. The Secretary jovially replied that it appeared as if the Treasury had been effectively tapped.

Sec. Holland indicated that the State Department and Commerce could cooperate in following up this decision. The Vice President believed a Presidential letter or message would be desirable and the President asked Mr. Holland to provide a draft. Gov. Stassen warned against making any reference in the message to the possibility of any loans. The Vice President agreed that it would be a mistake to get into any big program of grants to the Latin American countries.

Mr. Brundage said that there was sufficient authorization at present for going ahead and that Budget would prepare a supplemental appropriation request to go to the Hill. The President concluded the discussion with a remark that this project should be done well, for if there was anything he really hated it is to talk big and do little.

Attorney General Recommendations Concerning Anti-Trust Legislation (CP-24) - The Attorney General introduced CP-24 and stated that if no objection were made the Bureau of the Budget would circulate the bills recommended in this statement.

Mrs. Hobby wanted to be sure that the Cabinet was aware of the hornet's nest that would be encountered if the second recommendation were approved. The President asked if this recommendation were not directed to helping the small business man compete with the big chain stores. The President also inquired if our Small Business officials approved this recommendation. The Attorney General replied that the existing laws had been aimed at controlling the chain stores but had proved ineffective. He said the Small Business officials favored repeal of the laws and that the Judiciary Committee heads were willing to introduce the repeal bill.

The President believed it worthwhile to take sufficient time to make the merits of this change known. Mr. Brownell said that would take considerable time, then pointed out that the drug store people would be against it. Sec. Benson stated that farmers were unanimously opposed to fair trade laws. The President then said it appeared to be a question of timing, that perhaps we should go ahead on the first recommendation and let the second one rest for a bit. The President said he had gotten the impression last week that a majority of small business men favored repeal. Mr. Brownell thought that correct. The President concluded that it would be better for the Administration not to take the initiative. Mr. Brownell agreed and stated that Congress would introduce a bill, that the Administration would testify in favor of it, and that he himself would probably make a favorable speech. General Persons said that the Leadership should first be consulted. Sec. McKay asked if the Attorney General had consulted the Druggists Association and the Automobile Dealers Association. He added that recent Supreme Court decisions seemed to make the change inevitable but that many small business men are losing their shirts -- particularly automobile parts dealers, druggists and grocers. Sec. Mitchell pointed out that the National Retail Federation was split in its opinion on this bill. The President then commented that if the Supreme Court was battering down existing legislation, that alone seemed sufficient reason for us to do something. Mr. Brownell said that Congress itself would have to change the law. The President set forth his personal belief that price setting was hardly an appropriate activity for Congress in a free enterprise economy.

In response to Mrs. Hobby's question, Mr. Brownell said that consumers would stand behind the Administration. Gov. Stassen said it was essential that this be a genuine bipartisan measure for it would be a serious mistake for the Republicans to take on alone the opposition certain to emerge. The Vice President warned that the retail organizations which have the greatest influence on Congress are opposed, that this would be a very emotional issue, and that the Administration could easily be tagged again with the "Big Business" label. The President reiterated that the Administration should not take the initiative but could go to the Hill to testify. Mr. Humphrey asked how important was this proposal and Mr. Brownell believed it very important because of the lower prices that would result. Sec. Dulles asserted that lower prices would cause a great number of small business bankruptcies. Gen. Persons warned that even though these bills would go to the Judiciary Committees, the Small Business Committees led by Sen. Sparkman and Rep. Patman would indulge in much demagoguery. The President then said that if the measure were so controversial the Administration had better move gently. The Attorney General agreed. The President suggested a few trial balloons and Mr. Brownell stated he would be content to let the project simmer. Sec. Wilson commented on the validity of Sec. Dulles' earlier comment.

Gov. Adams stated his assumption that the first recommendation was approved. The President agreed.

Wartime Organization for Economic Stabilization (CP-23) - Dr. Flemming presented CP-23 and noted that the Defense Mobilization Board unanimously recommended Plan A. The President's first comment was that Plan B seemed to fall down because it assumed different men could control the several matters separately when in reality all were closely joined. He added that if any change were to be made in the chart, the Federal Reserve Board and the Treasury should be brought in closer. He believed an ad hoc group consisting of FRB, Treasury, and the Stabilization Administrator should be set up; for he personally would not trust so important a subject to loose coordination. Sec. Wilson stated Defense Department's interest in the matter and the President said he saw no reason why the Secretary of Defense as the principal user should not be on the Board. Dr. Flemming made reference to a different group where Defense would be represented. The President said he meant this ad hoc group. Secretary Humphrey agreed

[redacted]

that Defense should be represented. The President stated his feeling that absolutely no price should be allowed to change without the approval of this group.

Sec. Dulles spoke at some length on the possibility of something less than a general war and the continuing importance to our allies of any major change in the United States' economic situation.

The President pointed out that the Administration would have to go to Congress for authority to put this system into effect in anything less than a general war. Mr. Flemming said that the paper under discussion was part of the large plan devised in case of general war. A different broad plan was ready for anything less than a general war. It could be handled under existing authorities, but if stabilization were to be added to it the Administration would have to ask Congressional authority. Sec. Dulles inquired if we were prepared to make such a request quickly. Mr. Flemming replied affirmatively. The President commented on the critical changes that could happen within forty-eight hours and prevent returning to the previous situation.

Sec. Humphrey recalled the earlier thinking about a 90-day freeze until Congress could act and said that the whole problem rested on the question of whether Congress or the President had the power to control. The President recalled the negative feeling of the Leadership the last time the subject was up. He commented also on the reluctance of authorities to make any move at all in a period of tension because of fear of upsetting the situation. Sec. Dulles believed it desirable to ask for 90-day freeze authority now. The President suggested that decision be postponed until after the Bipartisan Leadership meetings next week. Dr. Flemming promised to give Mr. Dulles a background memorandum for discussion at the luncheons.

The Attorney General thought it might be wise to have a special Cabinet Meeting devoted to a discussion of what each Cabinet member would do immediately following any notification of attack. The President wondered what would happen if someone walked in the door just then to report that the United States had been attacked.

Sec. Hobby expressed her belief that popular favor for standby controls was increasing. She went on to tell of her trouble with the Appropriations Committee which refused money necessary for HEW's Civil Defense functions until such time as FCDA made a coordinated presentation of needs. Dr. Flemming pointed to the same problem in regard to functions delegated by ODM. Mr. Flemming promised to prepare a background memorandum on this subject for Sec. Dulles to use next week.

In reply to a question from Dr. Flemming, the President said that Plan A seemed to be a good one to go ahead with but that any plan would have to be modified after the first four days of experience with it.

Sec. Humphrey reverted to the 90-day freeze question and summarized the discussion as meaning that the Administration would very gingerly feel its way toward trying to get the 90-day freeze. The President agreed. Dr. Flemming repeated that he would prepare a memorandum. Sec. Dulles noted that the Defense Mobilization Board has opposed such a measure. The President said that the Administration would have to ask very skillfully for it in some "package" approach instead of setting it up as a single issue. Dr. Flemming agreed.

[redacted]

Sec. Weeks referred to the shortage of copper and indicated that export licensing had been restricted.

Regional War Resources Coordinators (CP-22) - Dr. Flemming presented this paper and recalled that the system of co-chairmen had been unsuccessful during World War II and the Korean War. He said that if this proposal were approved, ODM would proceed to appoint Regional Coordinators under cover as consultants. The President suggested that the Coordinators might have to have small embryo staffs. Dr. Flemming stated that would be taken care of.

Sec. Wilson pointed to the Army regional structure and suggested that borders for ODM regions and Army regions be the same. The President believed this wise. Dr. Flemming said he was working on the problem with others but that different agencies had different purposes for their regional divisions. The President appreciated that but believed boundaries could be shifted by a little give and take. Mrs. Hobby believed all the departments could change their regional boundaries so as to conform to one system. The President believed this a good idea. Sec. Benson felt it had lots of merit. Dr. Flemming stated that while such a study went on, ODM would begin to select personnel.

Public Information - The Vice President suggested that at some future Cabinet meeting the Secretary of Agriculture might take a look into the future for the benefit of Cabinet members with regard to farm prices. The President believed an effort should be made first to set the public straight on the fact that rigid supports are still in effect and are the cause of the present price decline. He believed the entire Cabinet could help present this fact. Sec. Benson stated that Agriculture was sending considerable material to the Hill but that it was not being used to full extent.

The President believed the Cabinet ought to be used whenever any one felt that others could help on a difficult subject by making appropriate brief references in their speeches. The Vice President suggested the need for such an effort in regard to the effects of recent nuclear developments. He detected a tremendous propaganda drive in recent weeks since the "fall-out" announcement. The President believed Adm. Strauss should provide a brief statement. Mrs. Hobby took note of the fears of women with whom she has recently met. Gov. Stassen suggested that the Russians were attempting to prevent our development and use of nuclear weapons so that they would be free to make unlimited conquests with their massive land armies. The President indicated that the coming bipartisan luncheons were necessary in part because of the new problems attendant on development of nuclear weapons.

The President concluded the meeting at 10:45 with a remark that one of the chief requirements of an honest man is to have a balanced approach.

Lam

L. A. Minnich, Jr

COPIES TO:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

[redacted]

CABINET PAPER—PRIVILEGED

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CI - 19

March 24, 1955

The White House

Washington

THE CABINET

Statement by the President Concerning Responsibility for Disarmament Policy

For information of the Cabinet, attached is a copy of the President's statement of March 19, 1955 concerning the problem of disarmament and the appointment of the new Special Assistant to the President.

This statement is circulated as background in connection with Governor Stassen's remarks (Agenda Item Number 1) at the coming Cabinet Meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

IMMEDIATE RELEASE March 19, 1955

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

Statement by the President

The massive resources required for modern armaments, the huge diversion of materials and of energy, the heavy burdens of taxation, the demands for years of service of vast numbers of men, the unprecedented destructive power of new weapons, and the international tensions which powerful armaments aggravate, have been of deep concern to me for many years.

At the same time the tragic consequences of unilateral disarmament, the reckless moves of Hitler when the United States was weak, the Korean aggression when our armed strength had been rapidly diminished, and the vast extent of the armament now centered around the opposing ideology of communism, have been equally apparent to me.

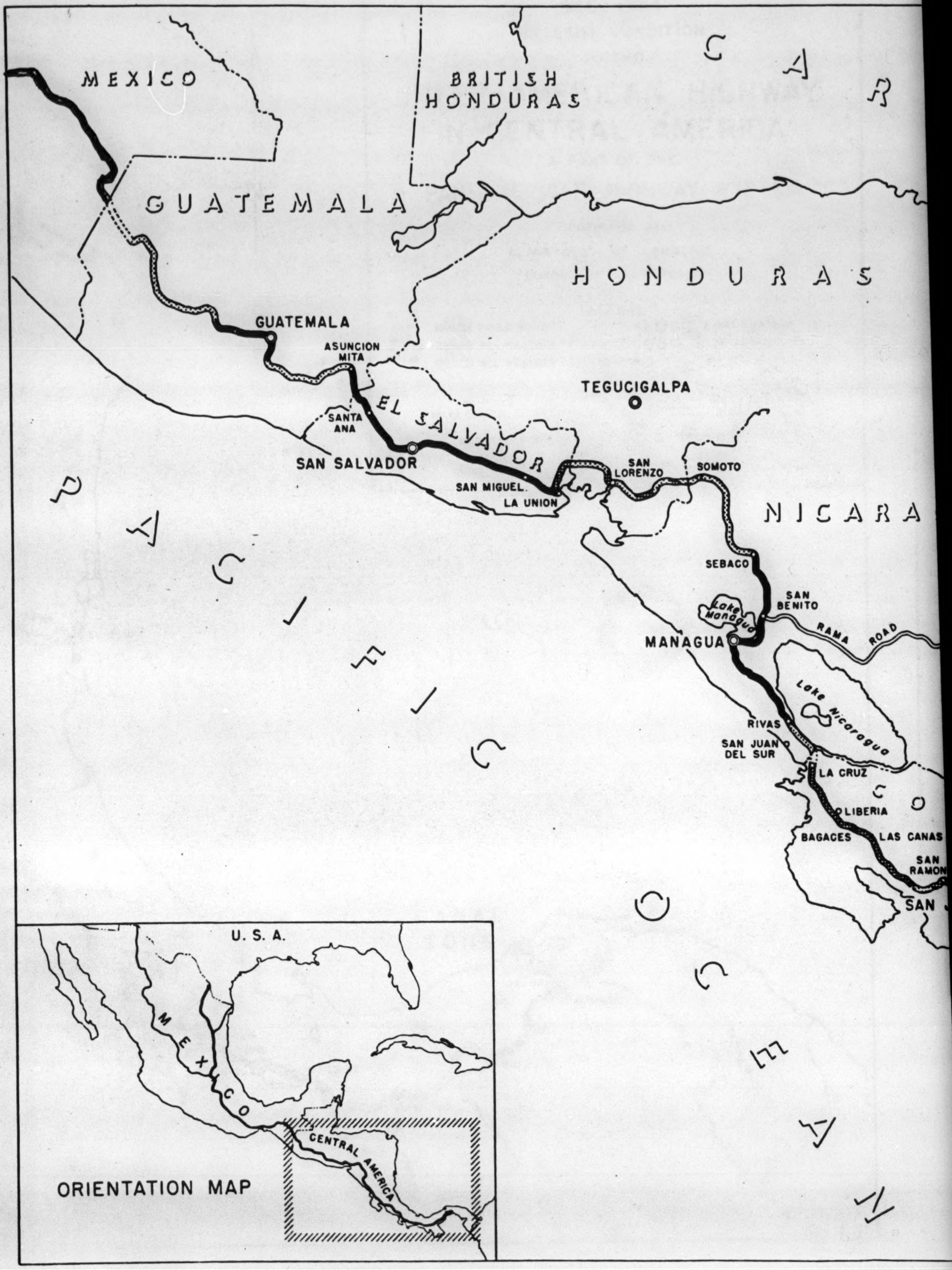
The recent session of the Disarmament Commission of the United Nations has again resulted in no progress and no clear crystallization of thinking on this subject. It has an inseparable relationship to our constant objective of peace.

I have, therefore, established a position as Special Assistant to the President with responsibility for developing, on behalf of the President and the State Department, the broad studies, investigations and conclusions which, when concurred in by the National Security Council and approved by the President, will become basic policy toward the question of disarmament. The position will be of Cabinet rank. When indicated as desirable or appropriate under our Constitutional processes, concurrences will be secured from the Congress prior to specific action or pronouncement of policy.

I have appointed Harold Stassen as a Special Assistant for discharge of this responsibility. He will be expected to take into account the full implications of new weapons in the possession of other nations as well as the United States, to consider future probabilities of armaments, and to weigh the views of the military, the civilians, and the officials of our government and of other governments.

For the time being, and for the presentation of the Mutual Security Program to the Congress, he will also continue to discharge his responsibility as Director of the Foreign Operations Administration, but he will begin this new task promptly upon this appointment.

# # # #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SAN BENITO
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MANAGUA
RAMA ROAD
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SAN RAMON
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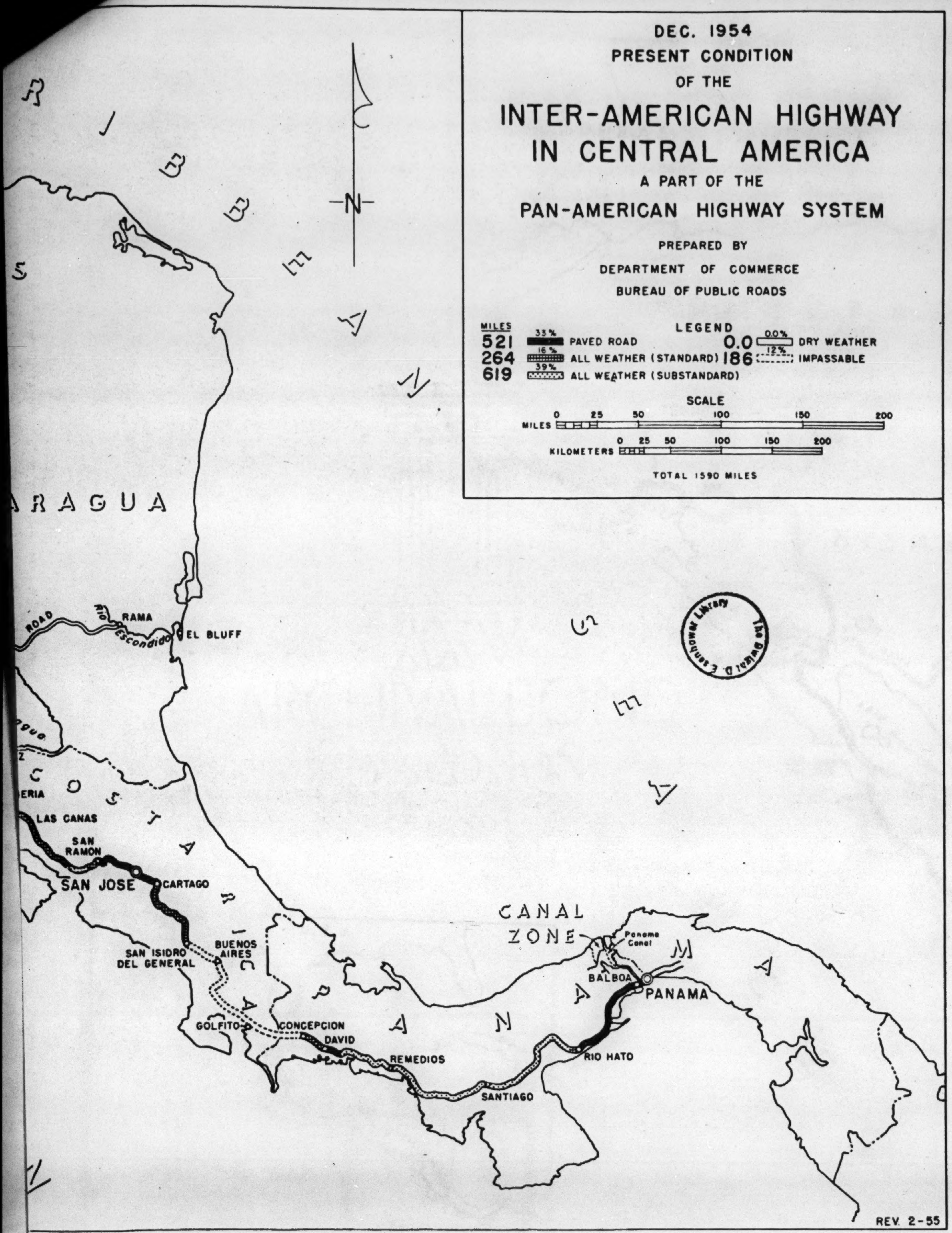
U. S. A.
MEXICO
CENTRAL AMERICA
ORIENTATION MAP



DEC. 1954
PRESENT CONDITION
OF THE

INTER-AMERICAN HIGHWAY IN CENTRAL AMERICA

A PART OF THE

PAN-AMERICAN HIGHWAY SYSTEM

PREPARED BY
DEPARTMENT OF COMMERCE
BUREAU OF PUBLIC ROADS

LEGEND

MILES			
521	33%	▬	PAVED ROAD
264	16%	▦	ALL WEATHER (STANDARD)
619	39%	▒	ALL WEATHER (SUBSTANDARD)
0.0	0.0%	▭	DRY WEATHER
186	12%	┅	IMPASSABLE

TOTAL 1590 MILES

REV. 2-55

SCALE
MILES 0 25 50 100 150 200
KILOMETERS 0 25 50 100 150 200
N
RIBBEAN
S
ARAGUA
ROAD
RAMA
Rio Escondido
EL BLUFF
agua
COSTA RICA
ERIA
LAS CANAS
SAN RAMON
SAN JOSE
CARTAGO
SAN ISIDRO DEL GENERAL
BUENOS AIRES
GOLFITO
CONCEPCION
DAVID
REMEDIOS
SANTIAGO
RIO HATO
PANAMA
CANAL ZONE
Panama Canal
BALBOA
PANAMA
SEA
N

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CABINET PAPER—PRIVILEGED CP - 24

Property of the White House—For Authorized Persons Only March 23, 1955

The White House

Washington

THE CABINET

Legislative Recommendations of the Attorney General Implementing Certain Portions of the Report of the Committee to Study the Anti-Trust Laws

For consideration by the Cabinet, attached is a brief paper prepared by the Attorney General proposing immediate Administration action on two of the recommendations which are about to be made to the Attorney General by his National Committee to Study the Anti-Trust Laws.

The Cabinet at its March 18 meeting heard a preview of the Report of this Committee. Those two sections of this Preview (CI - 13/1) to which the attached paper refers are on page 3: Section 2(d) and Section 4 (Items 2 and 4(1) respectively in Appendix II of CI - 13/1).

The Administration action being proposed by the Attorney General is the immediate submission, through the Bureau of the Budget, of legislation for congressional action this session to implement the two recommendations involved. The proposed language for each appears in Annexes A and B respectively.

The attached paper also identifies three of the Committee's recommendations which have already been included in the Administration's legislative program, and summarizes the status of each.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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THE CABINET

Legislative Recommendations of the Attorney General, Implementing Certain Portions of the Report of the Committee to Study the Antitrust Laws

Under date of March 16th the Cabinet received a preview (CI - 13/1) of the Antitrust Report, which was discussed at Cabinet Meeting March 18, 1955. Attached thereto (Appendix II) was a list of legislative recommendations which the Committee to Study the Anti-Trust Laws proposes to make to the Attorney General on March 31, 1955. The Attorney General suggests action immediately thereafter on two of the recommendations as follows:

(1) Extension of the Defense Production Act. This proposed amendment authorizes the President to grant antitrust immunity beyond the expiration date of the Defense Production Act (e. g., for projects requiring large investment). A separate statute is recommended by the Committee. After conference with counsel for the Office of Defense Mobilization, the Attorney General concludes that the extension should be sought through a proposed amendment to the Defense Production Act itself. Attached hereto (Annex A) is a copy of this proposed amendment.

(2) Repeal of the Miller-Tydings amendment to the Sherman Act, and the McGuire amendment to the Federal Trade Commission Act. A proposed bill to accomplish this is attached (Annex B).

Recommendation

That the concurrence of the Cabinet and the approval of the President be given to the submission of these two legislative proposals, through the Bureau of the Budget, for action at this session of Congress.

****

For the information of the Cabinet, three of the recommendations anticipated from the Committee have already been included in pending legislation:

(1) The increase of maximum criminal penalties (recommended by the Committee as an increase from $5,000 to $10,000) is presently included in S. 670 and H. R. 3659, both of which propose to raise the maximum penalty to $50,000. No action has been taken on S. 670. H. R. 3659 has been reported favorably out of Committee.

(2) The proposed four-year Federal statute of limitations for private anti-trust suits is presently contained in H. R. 4954, which also gives the Government the right to sue for damages. This Bill was ordered out of Committee on March 22, 1955.

(3) S. 733, covering only the Government's right to sue for damages, has not been reported out of Committee.

ANNEX A

A BILL

To amend Section 708 of the Defense Production Act of 1950, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 708 of the Defense Production Act of 1950, as amended, is amended by adding the following as subsection (f): "Whenever, before the expiration of section 708 of this Act or amendments thereto, the President shall find (1) that the continuation beyond the expiration of section 708 of this Act of any voluntary agreement or program entered into and approved under section 708 (a), (b) or (c) is in the public interest as contributing to the national defense and (2) that the objectives of the agreement or program cannot be accomplished prior to the expiration of section 708 of this Act and in a manner consistent with the antitrust laws, no act or omission to act pursuant to such voluntary agreement or program which occurs during the period of such continuation, but in no event later than June 30, 1960, shall be construed to be within the prohibitions of the antitrust laws or the Federal Trade Commission Act of the United States. The authority to make the findings referred to in this subsection shall not be delegated except to a single official of the Government. Upon withdrawal of any request or finding made hereunder the provisions of this subsection shall not apply to any subsequent act or omission to act by reason of such finding or request."

ANNEX B

A BILL

To amend section 1 of the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies", approved July 2, 1890, as amended, and section 5 (a) of the Act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", approved September 26, 1914, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies", approved July 2, 1890, as amended, is amended to read as follows:

"Section 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Section 2. Section 5 (a) of the Act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", approved September 26, 1914, as amended, is amended to read as follows:

"Sec. 5. (a) Unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce are hereby declared unlawful.

"The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers subject to the Acts to regulate commerce, air carriers and foreign air carriers subject to the Civil Aeronautics Act of 1938, and persons, partnerships, or corporations subject to the Packers and Stockyards Act, 1921, except as provided in section 406 (b) of said Act, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce."

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March 28, 1955

The White House
Washington

THE CABINET

Legislative Recommendation of the Attorney General Implementing a Portion of the Report of the Committee to Study the Anti-Trust Laws

The attached approved paper is circulated for action by the Department of Justice and the Bureau of the Budget, and for the information of the other Cabinet Members.

The recommendation of this paper, as revised, was approved at the Cabinet Meeting of March 25, 1955 (RA - 17, Item 3-a).

What was formerly Item 2 of this paper is under further study by the Attorney General (RA - 17, Item 3-b).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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THE CABINET

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> Extension of the Defense Production Act. This proposed amendment authorizes the President to grant antitrust immunity beyond the expiration date of the Defense Production Act (e. g., for projects requiring large investment). A separate statute is recommended by the Committee. After conference with counsel for the Office of Defense Mobilization, the Attorney General concludes that the extension should be sought through a proposed amendment to the Defense Production Act itself. Attached hereto (Annex A) is a copy of this proposed amendment.

Recommendation

That the concurrence of the Cabinet and the approval of the President be given to the submission of this legislative proposal, through the Bureau of the Budget, for action at this session of Congress.

****

For the information of the Cabinet, three of the recommendations anticipated from the Committee have already been included in pending legislation:

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(2) The proposed four-year Federal statute of limitations for private anti-trust suits is presently contained in H. R. 4954, which also gives the Government the right to sue for damages. This Bill was ordered out of Committee on March 22, 1955.

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CABINET PAPER

For Action

ADMINISTRATIVELY RESTRICTED

ANNEX A

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UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON 25, D. C.

March 28, 1955

Dear Max:

I enclose herewith the statement requested by Governor Adams in connection with the discussion on fallout in the Cabinet meeting of last Friday, March 25, as shown in the Cabinet record of action for that meeting.

Also enclosed are 24 copies of my statement and the Commission's report of February 15, 1955, on the effects of high-yield nuclear explosions, and 24 copies of the article, "The Facts about A-Bomb Fallout," from the March 25, 1955, issue of U. S. News and World Report.

Sincerely,

Lewis Strauss

Chairman

Encls:
1. Statement re fallout.
2. 3/15/55 Statement & Report on Fallout,
   (24 copies).
3. U.S. News & World Report Article (24 copies).

Mr. Maxwell M. Rabb
Secretary to the Cabinet
The White House
Washington 25, D. C.

STATEMENT ON FALLOUT
BY
CHAIRMAN, ATOMIC ENERGY COMMISSION

There have been interpretations of the Atomic Energy Commission's report of February 15 on fallout giving the impression that every nuclear explosion, regardless of size or point of burst, creates a fallout danger over thousands of square miles and ranging several hundred miles downwind from the explosion. This is not the case. (Some of the interpretations, particularly those abroad, appear to be designed for propaganda purposes.)

The fallout pattern associated with the Bikini test, described in the report, was the result of the detonation of a so-called H-bomb, with a yield in the range of millions of tons of TNT equivalent. Furthermore, the explosion occurred on the surface of the island. In consequence, the fallout was the product of both the high explosive power and the contact of the fireball with the earth. A World War II type A-bomb detonated under the same conditions would have produced only a very small fraction of the fallout. Likewise, had the Bikini H-bomb been detonated high in the air, the amount of radioactive particulate material in the bomb cloud would have been an exceedingly small fraction of that which was produced by the surface explosion. In that case, the radioactive particles themselves would have been smaller and, therefore, they would not have fallen to earth so soon. This delay in fallout would have resulted in greater diffusion from the air currents and greater loss of radioactivity by decay than actually occurred.

The weapons and devices now being tested in Nevada are very much smaller than the one tested at Bikini. In fact, it would take some 10,000 of the smallest of these to produce explosive energy equal to that of the Bikini H-bomb.

While it is true that there are enough radioactive particles in the bomb clouds produced by the nuclear explosions in the current series of tests to be detected later in various localities by extremely sensitive instruments on the ground, this does not mean that dangerously radioactive fallout occurs. In the first place, the quantities of radioactive particles in the clouds as a result of these tests are not comparable to those produced by an H-bomb explosion, and in the second place, the bulk of these particles lose most of their radioactive effects within hours of the explosion. The intensity of fallout is reduced also because the varying air currents at different levels diffuse the particles.

The instruments referred to above are calibrated to the detection of normal "background" radiation - which has always existed - from radium and radon in the soil, water, and air. The Atomic Energy Commission receives reports from more than 100 radiation detection installations operated by the Commission, the Weather Bureau, and the Public Health Service throughout the United States; data are collected daily. No fallout of any significance was expected or has been observed in the current test series.

The attached article from U. S. NEWS AND WORLD REPORT of March 25, 1955, while popularly written, is recommended for reading, especially in its treatment of genetic effects.

There is also attached a copy of the A. E. C. report of February 15, mentioned above.

THE EFFECTS OF HIGH-YIELD NUCLEAR EXPLOSIONS

Statement by

Lewis L. Strauss, Chairman

and

A Report by

The United States Atomic Energy Commission

February 1955

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STATEMENT BY LEWIS L. STRAUSS, CHAIRMAN UNITED STATES ATOMIC ENERGY COMMISSION

At a news conference on December 17, 1954, I stated that the staff of the Atomic Energy Commission was studying the subject of fallout and expressed the hope that information about it would be made public at a later date. "Fallout" is the word now applied to a phenomenon that follows the explosion of a nuclear weapon. Such an explosion, if the fireball touches the surface of the earth, draws up large amounts of materials into the bomb cloud. These materials subsequently fall back to earth as radioactive particles over a large area, mostly down-wind and relatively close to the point of explosion—although the lighter particles are carried great distances. The main radioactivity of fallout decreases very rapidly with time—for the most part, within the first hours after the explosion. An in-the-air explosion where the fireball does not touch the earth's surface does not produce any serious radiological fallout hazard.

Since nuclear weapons are in possession of the USSR, the Commission believes the American people wish to be informed regarding the dangers of nuclear explosions and the measures which individuals can take to protect themselves if an atomic attack should ever occur. Therefore, the Commission has condensed in the attached Report the information which can be made public at this time on the effects of the explosions of high-yield nuclear weapons.

The following excerpts and summarized sections contain the highlights of the Report itself.

FALLOUT PATTERN OF 1954 TEST IN THE PACIFIC

The very large thermonuclear device tested at Bikini Atoll on March 1, 1954, was detonated on a coral island and the ensuing fallout contaminated an elongated, cigar-shaped area extending approximately *220 statute miles down-wind and varying in width up to 40 miles.* In addition, there was a contaminated area up-wind and cross-wind extending possibly 20 miles from the point of detonation. Data was collected from 25 points on 5 atolls located from 10 to 330 miles downwind (generally east) from Bikini Atoll. Due to an unexpected shift in the direction of the prevailing winds in the higher altitudes, the fallout missed the observation rafts that had been placed farther north previous to the test firing. The estimated contour of the pattern of fallout is, therefore, based only in part on data obtained from actual measurements and partly on calculations.

Data from this and other tests permits *estimates* of casualties which would have been suffered within this contaminated area if it had been populated. These *estimates* assume: (1) that the people in the area would ignore even the most elementary precautions; (2) that they would not take shelter but would remain out of doors completely exposed for about 36 hours; and (3) that in consequence they would receive the maximum exposure. Therefore, it will be recognized that the estimates which follow are what might be termed *extreme* estimates since *they assume the worst possible conditions.*

On the basis of our data from this test and other information, it is estimated that, following the March 1, 1954, test explosion, there was sufficient radioactivity in a downwind belt about 140 miles in length and of varying width up to 20 miles to have seriously threatened the lives of nearly all persons in the area *who took no protective measures.*

Some distance farther from the point of detonation, at about 160 miles down-wind and along the axis of the ellipse, the amount of radioactivity would have seriously threatened the lives of about one-half of the persons in the area who took no protective measures.

Near the outer edge of the ellipse, or approximately 190 miles down-wind, it is estimated that the level of radioactivity would have been sufficient to have seriously threatened the lives of 5 to 10 percent of any persons who might have remained exposed out of doors for all of the first 36 hours.

Thus, about 7,000 square miles of territory down-wind from the point of burst was so contaminated that survival might have depended upon prompt evacuation of the area or upon taking shelter and other protective measures.

At a distance of 220 miles or more down-wind, it is unlikely that any deaths would have occurred from radioactivity even if persons there had remained exposed up to 48 hours and had taken no safety measures.

The estimates cited above do not apply uniformly throughout the contaminated area inasmuch as the intensity of radioactivity within a region of heavy fallout will vary from point to point, due to such factors as air currents, rain, snow, and other atmospheric conditions. Because of this and because most persons, if given sufficient warning, probably would evacuate the area or take shelter and other precautionary measures, the actual percentage of fatalities could reasonably be presumed to be considerably smaller than these extreme estimates.

PROTECTION AGAINST FALLOUT

In an area of heavy fallout the greatest radiological hazard is that of exposure to *external* radiation, which can be greatly reduced by simple precautionary measures. Exposure can be reduced by taking shelter and by simple decontamination measures. Test data indicates that the radiation level, i. e., the rate of exposure, indoors on the first floor of an ordinary frame house in a fallout area would be about one-half the level out of doors. Even greater protection would be afforded by a brick or stone house. Taking shelter in the basement of an average residence would reduce the radiation level to about one-tenth that experienced out of doors. Shelter in an old-fashioned cyclone cellar, with a covering of earth three feet thick, would reduce the radiation level to about 1/5000, or down to a level completely safe, in even the most heavily contaminated area. Designs of shelters of simple yet effective construction have been prepared by the Civil Defense Administration and are available to the public.

Radioactive material deposited during the fallout may or may not be visible but would be revealed by radiation detection instruments such as Geiger counters. Any falling dust or ash that can be seen down-wind within a few hours after a nuclear explosion should be regarded as radioative until measured by a radiation detection instrument.

Care should be taken to avoid the use of solid foods or liquids that may contain fallout particles.

If fallout particles come into contact with the skin, hair, or clothing, prompt decontamination precautions such as have been outlined by the Federal Civil Defense Administration will greatly reduce the danger. These include such simple measures as *thorough bathing of exposed parts of the body and a change of clothing.*

INTERNAL RADIATION EFFECTS

Two other factors must be considered in evaluating possible hazards from radioactive fallout. The first is the effect of internal radiation from fallout particles swallowed in food or liquids. The second is the effect of radiation upon the germ cells which transmit inherited characteristics from one generation to another. It should be noted that in neither case is there reason to believe that weapons testing programs of the United States have resulted in any serious public hazard.

The radioactive forms of strontium and iodine are the constituents of fallout which are of principal concern as internal sources of radiation through ingestion. The concentrations of these substances from nuclear detonations to date have been monitored at many localities, and the amounts detected have been insignificant, compared to concentrations which would be hazardous.

GENETIC EFFECTS OF RADIATION

There is a wide range of admissible opinion as to the genetic effects which radiation might have upon future generations, and conclusive data is not available at present on which to base an incontrovertible forecast. However, it is important to recognize that the average amount of radiation exposure received by residents of the United States from all nuclear detonations to date has been about the same as the exposure received from one chest X-ray. The Commission's medical and biological advisers do not believe that this small amount of additional exposure is any basis for serious concern at this time.

BLAST AND HEAT EFFECTS

Two important characteristics of any nuclear explosion, other than those from fallout, are the effects of blast and heat, which are of the same nature for a thermonuclear bomb as for the earlier and smaller atomic bombs. The intensity and area of the blast and heat effects increase in relation to the greater energy yield of the explosion. Much information on these two effects has already been published by the Atomic Energy Commission, but it might be recalled that an atomic bomb of the earliest type, equivalent to 20,000 tons of TNT, would produce blast and heat sufficient to destroy, or damage severely, buildings within a radius of more than one mile from the explosion point. The United States has developed fission bombs many times as powerful as the first atomic bombs, and hydrogen weapons in the ranges of millions of tons (megatons) of TNT equivalent.

PROTECTION AGAINST BLAST AND HEAT

The hazard from both burn and blast effects well *outside* the central target area would be reduced greatly by shelter. Clothing or almost any kind of shelter would reduce the danger of direct burns, although there might be danger of clothing and structures becoming ignited. Also, shelter would materially reduce the hazard of blast injury by affording protection against flying or falling debris. As is generally known, the shelter afforded by ordinary city buildings would not suffice within the central area surrounding the point of explosion of a large nuclear weapon. For this reason, the Federal Civil Defense Administration recommends evacuation of the central areas of target zones on early warning of approaching attack.

FALLOUT FROM NEVADA TESTS

Only relatively small nuclear test explosions are conducted at the Nevada Test Site, in contrast to the tests of high-yield thermonuclear devices at the Pacific Proving Grounds. In Nevada, as well as in the Pacific, all tests are planned for times when forecast weather conditions minimize the possibility of fallout hazard. High air bursts at the Nevada Test Site have produced no significant fallout; heavy fallout from near-surface explosions has extended only a few miles from the point of burst. The hazard has been successfully confined to the controlled area of the Test Site. The highest actual dose of radiation at an off-site community has been estimated to be *less than one-third of the greatest amount of radiation which atomic energy workers are permitted to receive each year under the Atomic Energy Commission's conservative safety standards.*

CONCLUSION

In the event of war involving the use of atomic weapons, the fallout from large nuclear bombs exploded on or near the surface of the earth would create serious hazard to civilian populations in large areas outside the target zones. The Atomic Energy Commission hopes that these dangers will never be experienced by mankind. However, until the possibility of an atomic attack against us is eliminated by a *workable international plan for general disarmament*, the study and evaluation of the effects of weapons which might be used against us and the improvement of our means of self-defense are a paramount duty of our Government.

A REPORT BY THE UNITED STATES ATOMIC ENERGY COMMISSION ON THE EFFECTS OF HIGH-YIELD NUCLEAR EXPLOSIONS

1. Considerable information on the effects of the explosions of atomic weapons has been made public by the Government since the first nuclear detonations in 1945. The handbook, "The Effects of Atomic Weapons", published in 1950, is being revised and brought up to date to include the effects of thermonuclear weapons, as a result of the most recent tests at the Pacific Proving Grounds. References to the effects of thermonuclear explosions have been made in several official statements, beginning with Chairman Strauss' description of the phenomenon of "fallout" at a White House news conference on March 31, 1954. The following statement is designed to condense and correlate information, some of which already has been made public and other portions of which have been of a classified nature until now.

2. The effects of nuclear tests are evaluated for civil defense planning as well as for military and technological purposes. So long as nuclear weapons are in possession of any unfriendly power, the Commission believes the American public will wish to be as fully informed as possible as to the nature and extent of the dangers of nuclear attack and of the protective measures that can be taken by individuals and communities to avoid or minimize those dangers if we should be attacked.

3. Test conditions, which must necessarily form the principal basis of evaluating the effects of nuclear explosions, may differ markedly from those which might be expected if nuclear weapons were used against our population in wartime. It would be difficult to predict the size or kind of bomb an enemy might use against us in event of war, the exact means of its delivery, the height at which it would be exploded, or the number of bombs which might reach a given target. Nevertheless, the facts to follow are the fundamental ones at this time.

FOUR EFFECTS OF DETONATIONS

4. A nuclear detonation produces four major characteristics—blast, heat, immediate nuclear radiation, and residual radioactivity. Of these, the first three are essentially instantaneous, while the fourth has a more protracted effect. The phenomena of blast, heat, and nuclear radiation from the detonation of a thermonuclear bomb are

of the same nature as those of earlier and smaller atomic bombs. The nature of the phenomena is, in general terms, standardized whether the bomb be a 20,000-ton (TNT equivalent) atomic weapon or a thermonuclear one of many times that power. The intensity and area of the blast, heat, and nuclear radiation increase in relation to the greater energy yield of the explosion. Information on these effects has been extensively publicized; therefore, the remainder of this report deals principally with effects other than heat and blast.

5. Residual radioactivity, although in no sense exclusive to high yield thermonuclear detonations, does become a matter of major concern when a large thermonuclear device of the type used in the 1954 tests in the Pacific is exploded. The fallout of radioactivity from such an explosion, may, under certain conditions, settle over wide areas. Therefore, the extent and severity of this radioactive fallout has been a subject of continuing study since the first full-scale thermonuclear tests at the Pacific Proving Grounds on November 1, 1952. The results of these studies and of our evaluation of data obtained from the latest tests in the Pacific in March, 1954, are described in subsequent parts of this report.

6. It should be noted that if we had not conducted the full-scale thermonuclear tests mentioned above, we would have been in ignorance of the extent of the effects of radioactive fallout and, therefore, we would have been much more vulnerable to the dangers from fallout in the event an enemy should resort to radiological warfare against us.

BLAST AND HEAT EFFECTS

7. The effects of blast and heat from a nuclear explosion are relatively localized. One A-bomb of the earliest type equivalent to 20,000 tons of TNT (20 kilotons) would produce blast sufficient to destroy or damage severely residences within a radius of more than one mile from the point of burst. Within a radius of about a mile and a half, residences would be so damaged as to be unusable without repairs. A principal hazard to human beings would come from flying and falling debris and from fires due to such causes as broken gas and electric lines or overturned stoves. The area in which injuries to human beings would be caused by blast, therefore, would be about the same as the area of damage to structures.

8. The United States, as announced previously, has developed fission bombs many times as powerful as the first A-bombs, and hydrogen weapons in the ranges of millions of tons (megatons) of TNT equivalent. For these larger weapons, the blast effects can be calculated approximately by means of a scaling law, namely, the distance at which a given blast intensity is produced varies as the cube roots of the yields of the explosions.

9. Similarly, the heat and burn effects of nuclear explosions can be estimated from accumulated data. These effects, of course, are influenced by prevailing atmospheric conditions. The time element also is a prime factor. Very large weapons deliver heat over an appreciably greater period of time than smaller weapons. A given quantity of heat from a high-yield weapon, delivered over a longer period of time, will produce somewhat *less* severe burns than the same quantity of heat from a nominal detonation.

PROTECTION AGAINST BLAST AND HEAT

10. The hazard from both burn and blast effects in the *outer* affected areas would be reduced greatly by shelter. Clothing or almost any kind of shelter would reduce the danger of direct burns, although there might be some danger of clothing and structures becomes ignited. Also, shelter would materially reduce the hazard of blast injury by affording protection against flying or falling debris. The Federal Civil Defense Administration has made extensive studies of shelters and has issued plans for several simple and inexpensive types which can be utilized by householders. As is generally known, the shelter afforded by ordinary city buildings would not suffice within the central area surrounding the point of burst of a large nuclear weapon. For this reason, the Federal Civil Defense Administration recommends evacuation of the central areas of target zones on early warning of approaching attack.

RADIATION EFFECTS

11. The immediate nuclear radiation, i. e., the neutrons and gamma rays released instantaneously with the explosion of a large weapon on or near the ground, does not present a serious hazard beyond the area where heat and blast are of great concern.

FALLOUT RADIATION

12. However, particles with residual radioactivity produced by a detonation (as opposed to the immediate nuclear radiation) may fall out over an area much larger than that affected by blast and heat, and over a longer period of time. All nuclear detonations produce radioactive materials, but the nature and extent of the radioactive fallout

depends on the conditions under which the bomb is fired. The main radioactivity of a bomb's fallout decreases very rapidly with time—for the most part, within the first hours after the detonation.

FALLOUT FROM IN-THE-AIR DETONATIONS

13. In an in-the-air explosion where the fireball does not touch the earth's surface, the radioactivity produced in the bomb condenses only on solid particles from the bomb casing itself and the dust which happens to be in the air. In the absence of material drawn up from the surface, these substances will condense with the vapors from the bomb and air dust to form only the smallest particles. These minute substances may settle to the surface over a very wide area—probably spreading around the world—over a period of days, or even months. But they descend extremely slowly with the result that, by the time they have reached the earth's surface, the major part of their radioactivity has been dissipated harmlessly in the atmosphere, and the residual contamination is widely dispersed.

FALLOUT FROM SURFACE DETONATIONS

14. If, however, the weapon is detonated on the surface or close enough so that the fireball touches the surface, then large amounts of material will be drawn up into the bomb cloud. Many of the particles thus formed are heavy enough to descend rapidly while still intensely radioactive. The result is a comparatively localized area of extreme radioactive contamination and a much larger area of some hazard. Instead of wafting down slowly over a vast area, the larger and heavier particles fall rapidly before there has been an opportunity for them to decay harmlessly in the atmosphere and before the winds have had an opportunity to scatter them.

15. The area of hazard from radioactive fallout from a surface or near-surface explosion of a thermonuclear weapon is much larger than the areas seriously affected by heat and blast. The large radioactive cloud of a thermonuclear explosion rises with great rapidity to the highest levels of the atmosphere and spreads over hundreds of square miles in the first hours. During this time the winds toss the extremely radioactive particles about and the pattern of the radioactive fallout is determined by the size of the particles and by the direction and velocities of the winds, including those up to 80,000 feet and above. The nature of the surface of the earth on which the bomb is fired also must be taken into consideration. Because of these variables, it is impossible to apply a single fallout pattern to

all thermonuclear detonations, even test explosions conducted under selected conditions. However, with adequate knowledge of atmospheric conditions, including wind directions and velocities up to high levels and meteorological reports, the fallout region for any detonation usually can be predicted with considerable accuracy. In general terms, the region of severe fallout contamination from the detonation of a thermonuclear weapon fired on or near the surface can be described as an elongated, cigar-shaped area extending down-wind from the point of burst.

FALLOUT PATTERN OF 1954 TEST IN THE PACIFIC

16. The very large thermonuclear device fired at the Bikini Atoll on March 1, 1954, was exploded on a coral island. Coral consists of calcium carbonate, thus the detonation's radioactivity was spread by particles consisting largely of unslaked lime which, during the hours of descent, was slacked by moisture in the atmosphere. These particles ranged between 1/1000th and 1/50th of an inch in diameter and were, on the average, somewhat adhesive. The prevailing winds were westerly so the bomb cloud moved generally to the east and deposited the radioactive particles in varying amounts over an elliptical or cigar-shaped area. About 160 (statute) miles down-wind from the point of burst the early fallout was observed in the form of fine particles which looked like snow. Fallout began there about eight hours after the detonation and continued for several hours.

17. The roentgen is the commonly accepted unit of measurement of radiation dosage. A dose of about 25 roentgens of radioactivity received by a person over a brief space of time will produce temporary changes in the blood. A dose of some 100 roentgens received in a short interval may produce nausea and other symptoms of radiation sickness. About 450 roentgens delivered over a day or so might be fatal to aproximately half of the persons so exposed. However, because of the body's repair processes, a total radiation dose which would be serious if incurred in a few minutes would produce much less effect if spread over a period of years. These statements may be helpful in understanding the data which follow.

18. The test explosion, at ground surface, contaminated a cigar-shaped area extending approximately *220 statute miles down-wind and varying in width up to 40 miles*. In addition, there was a contaminated area up-wind and cross-wind extending possibly 20 miles from the point of detonation. Data was collected from 25 points on 5 atolls located from 10 to 330 miles down-wind (generally east) from

Bikini Atoll. Due to an unexpected shift in the direction of the prevailing winds in the higher altitudes, the fallout missed the observation rafts that had been placed farther north previous to the test firing. The estimated contour of the pattern of fallout is, therefore, based only in part on data obtained from actual measurements and partly on extrapolation, i. e., calculations based on known data, including factual information obtained during previous tests of smaller devices.

19. Data from this test permits *estimates* of casualties which would have been suffered within this contaminated area if it had been populated. These estimates assume: (1) that the people in the area would ignore even the most elementary precautions; (2) that they would not take shelter but would remain out of doors completely exposed for about 36 hours; and (3) that in consequence they would receive the maximum exposure. Therefore, it will be recognized that the estimates which follow are what might be termed *extreme estimates* since *they assume the worst possible* conditions.

20. On the basis of our data from this and other tests, it is estimated that, following the test explosion on March 1, 1954 there was sufficient radioactivity in a down-wind belt about 140 miles in length and of varying width up to 20 miles to have seriously threatened the lives of nearly all persons in the area who *did not take protective measures.* During the actual tests, of course, there were no people in this zone. Inside Bikini Atoll at a point 10 miles downwind from the explosion it is estimated that the radiation dosage was about 5000 roentgens for the first 36 hour period after the fallout. The highest radiation measurement outside of Bikini Atoll indicated a dosage of 2300 roentgens for the same period. This was in the northwestern part of the Rongelap Atoll, about 100 miles from the point of detonation. Additional measurements in Rongelap Atoll indicated dosages, for the first 36 hour period, of 2000 roentgens at 110 miles, 1000 roentgens at 125 miles, and, farther south, only 150 roentgens at 115 miles from Bikini.

21. Some distance farther from the point of detonation, at about 160 miles down-wind and along the axis of the ellipse, the amount of radioactivity would have seriously threatened the lives of about one-half of the persons in the area who *failed to take protective measures.* It is estimated that the radiation dosage at that point was about 500 roentgens for the first 36 hour period.

22. Near the outer edge of the cigar-shaped area, or approximately 190 miles down-wind, it is estimated that the level of radioactivity would have been sufficient to have seriously threatened the lives of 5 to 10 percent of any persons who might have remained exposed out of doors for the first 36 hours. In this area the radiation dosage is estimated at about 300 roentgens for the first 36 hour period.

23. Thus, about 7,000 square miles of territory down-wind from the point of burst was so contaminated that survival *might* have depended upon prompt evacuation of the area or upon taking shelter and other protective measures.

24. At a distance of 220 miles or more down-wind, it is unlikely that any deaths would have occurred from radioactivity even if persons there had remained exposed up to 48 hours and had taken no safety measures.

25. The estimates cited above do not apply uniformly throughout the contaminated area inasmuch as the intensity of radioactivity within a region of heavy fallout will vary from point to point due to such factors as air currents, rain, snow, and other atmospheric conditions. Because of this and because most persons, if given sufficient warning, probably would evacuate the area or take shelter and other precautionary measures, the actual percentage of deaths could reasonably be presumed to be considerably *smaller* than these extreme estimates.

PROTECTION AGAINST FALLOUT

26. In an area of heavy fallout the greatest radiological hazard is that of exposure to *external* radiation. Simple precautionary measures can greatly reduce the hazard to life. Exposure can be reduced by taking shelter and by utilizing simple decontamination measures until such times as persons can leave the area. Test data indicate that the radiation level, i. e., the rate of exposure, indoors on the first floor of an ordinary frame house in a fallout area would be about one-half the level out of doors. Even greater protection would be afforded by a brick or stone house. Taking shelter in the basement of an average residence would reduce the radiation level to about one-tenth that experienced out of doors. Shelter in an old-fashioned cyclone cellar, with a covering of earth three feet thick, would reduce the radiation level to about 1/5000, or down to a level completely safe, in even the most heavily contaminated area. Designs of shelters of simple yet effective construction have been prepared by the Civil Defense Administration and are available to the public.

27. Radioactive material deposited during fallout may or may not be visible but would be revealed by radiation detection instruments such as Geiger counters. Any falling dust or ash that can be seen down-wind within a few hours after a nuclear explosion should be regarded as radioactive until measured by a radiation detection instrument and found to be harmless.

28. Care should be taken to avoid the use of solid foods or liquids that may contain fallout particles.

29. If fallout particles come into contact with the skin, hair or clothing, prompt decontamination precautions such as have been outlined by the Federal Civil Defense Administration will greatly reduce the danger. These include such simple measures as *thorough bathing of exposed parts of the body and a change of clothing.*

30. If persons in a heavy fallout area heeded warning or notification of an attack and evacuated the area or availed themselves of adequate protective measures, the percentage of fatalities would be greatly reduced even in the zone of heaviest fallout.

FALLOUT FROM NEVADA TESTS

31. Only relatively small nuclear test explosions are conducted at the Nevada Test Site, in contrast to the tests of high-yield thermonuclear devices at the Pacific Proving Grounds. In Nevada, as well as in the Pacific, all tests are planned for times when forecast weather conditions minimize the possibility of fallout hazard. Methods of forecasting weather patterns in these areas are improving steadily. High air bursts at the Nevada Test Site have produced no significant fallout; heavy fallout from near-surface explosions has extended only a few miles from the point of burst. The hazard has been successfully confined to the controlled area of the Test Site. The highest actual dose of radiation at an off-site community has been estimated to be *less than one-third of the greatest amount of radiation which atomic energy workers are permitted to receive each year under the Atomic Energy Commission's conservative safety standards.*

INTERNAL RADIATION EFFECTS

32. Several basic facts should be kept in mind in evaluating the hazard from fallout radiation. First, radiation is not a new phenomenon created by the explosions of fission and thermonuclear weapons. Since the beginning of life, living things have been exposed constantly to radiation from natural sources. Cosmic rays from space constantly pass through our bodies. We are exposed to "background" radiation from radium and radon in the soil, water and air. Our bodies have always contained naturally radioactive potassium and carbon.

33. As pointed out earlier, detonations of all atomic weapons produce radioactivity, a portion of which is carried to high altitudes and over great distances in the form of fine particles. The percentage of this radioactivity which travels beyond the relatively near area of the explosion depends largely on the conditions under which the bomb

is fired, the percentage being higher for in-the-air bursts where the fireball does not touch the earth's surface. The most widespread radioactivity is produced only by the longer-lived fission products, since the radioactivity of the shorter-lived products decays and disappears before the particles come down to earth in a matter of days, weeks, months, and even years. The longer-lived radioactive products may be distributed over the entire earth. However, as the particles are carried farther and farther to remote areas, the possibility of significant amounts of fallout decreases.

RADIOSTRONTIUM FALLOUT

34. One of the most biologically important radioactive substances found in fallout is strontium-90. It has a long lifetime—nearly 30 years on the average. Radiostrontium has a chemical similarity to calcium and, therefore, when taken into the body it has a tendency to collect in the bones. Radiostrontium can enter the body in two ways—by inhaling or by swallowing. Normally, the amount inhaled would be small compared with the amount one might swallow. Fallout material deposited directly on edible parts of plants may be eaten along with the plants, but washing the plants before they are eaten would remove most of this radioactive material. However, rainfall carrying the radiostrontium down to earth may deposit it in the soil where it can be taken up, in part, by plants and incorporated into plant tissues, later to be eaten by humans or by grazing animals which, in turn, provide food for humans.

35. Since the start of nuclear tests, careful measurements have been made of the distribution of radiostrontium over the earth's surface, in the soils, in plants and animal tissues, in the oceans, in rain, in the atmosphere and in all forms in which it might be expected to occur. The results of this study are reassuring. The amount of radiostrontium now present in the soil as a result of all nuclear explosions to date would have to be increased many thousand times before any effect on humans would be noticeable.

RADIOIODINE FALLOUT

36. Among the shorter-lived fission products involved in the study of internal radiation, the most biologically important is radioiodine-131 with an average life of only 11.5 days. Even though this product may be widely spread after a nuclear explosion, the possibility of serious hazard is limited by its relatively short life. Like the non-

radioactive form of the element, it concentrates in the thyroid gland and, in excessive quantity, conceivably could damage the thyroid cells.

37. Scientists of the Atomic Energy Commission have estimated that the average exposure of people in the United States from radioiodine in the fallout from the entire series of tests in the spring of 1954 was only a few percent of the annual dose that can be received year after year and still have no noticeable effects.

38. These two isotopes—radiostrontium and radioiodine—constitute the principal internal hazards from the radioactivities produced by the detonations of atomic weapons, both fission and thermonuclear. The Atomic Energy Commission has been engaged for three years in a broad study of the radioactive forms of these isotopes and conducts year-round monitoring of these radioactivities in many locations. Any accumulation of these materials can be detected with great sensitivity so that ample warning of potential hazard could be given long before any actual danger occurred from test detonations. The amounts of radiostrontium and radioiodine which have fallen outside the areas near the test sites as a result of all atomic tests up to now are insignificant compared to concentrations that would be considered hazardous to health.

GENETIC EFFECTS OF RADIATION

39. One other effect of radiation must be considered in evaluating the long-range possibilities of hazard from nuclear detonations. This is the possible genetic effect upon the germ cells which transmit inherited characteristics from one generation to another. At our present stage of genetic knowledge, there is a rather wide range of admissible opinion on this subject.

40. In general, the total amount of radiation received by residents of the United States from all nuclear detonations to date, *including the Russian and British tests* and all of our own tests in the United States and the Pacific, has been about one-tenth of one roentgen. This is only about 1/100th of the average radiation exposure inevitably received from natural causes by a person during his or her reproductive lifetime. It is about the same as the exposure received from one chest X-ray.

41. The medical and biological advisers of the Atomic Energy Commission believe that the small amount of additional exposure of the general population of the United States from our nuclear weapons testing program will not seriously affect the genetic constitution of human beings. Nevertheless, we are continuing our thorough study of the entire question and will continue to report our findings to the American people.

SUMMARY

42. The Atomic Energy Commission hopes that the information on nuclear weapons effects contained in the foregoing report will never be reflected in human experience as the result of war. However, until the possibility of an atomic attack is eliminated by a workable international plan for general disarmament, the study and evaluation of weapons effects and civil defense protection measures must be a necessary duty of our government.

43. Inevitably, a certain element of risk is involved in the testing of nuclear weapons, just as there is some risk in manufacturing conventional explosives or in transporting inflammable substances such as oil or gasoline on our streets and highways. The degree of risk must be balanced against the great importance of the test programs to the security of the nation and of the free world. However, the degree of hazard can be evaluated with considerable accuracy and test conditions can be controlled to hold it to a minimum. None of the extensive data collected from all tests shows that residual radioactivity is being concentrated in dangerous amounts anywhere in the world outside the testing areas.

44. In the event of war involving the use of atomic weapons, the fallout from large nuclear bombs exploded on or near the surface would create serious hazards to civilian populations in large areas outside the target zones. However, as mentioned in the foregoing Report, there are many simple and highly effective precautionary measures which must be taken by individuals to reduce casualties to a minimum outside the immediate area of complete or near-complete destruction by blast and heat. Many of these protective measures, such as shelter and decontamination procedures, have been detailed by the Federal Civil Defense Administration.

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VOLUME XXXVIII—No. 12 U.S. News & World Report WASHINGTON, D. C.

THE FACTS ABOUT A-BOMB "FALL-OUT"

Not a Word of Truth in Scare Stories Over Tests

Atom tests by U. S., despite growing alarm, aren't spreading deadly "fall-out." The facts—

- **From the "Big Shot" test, a radioactive "cloud" crossed the U. S., but harmed no one.**
- **Effect of its "fall-out" on anyone in U. S. equaled that of a luminous-dial watch.**
- **Total "fall-out" on any one place for a year will be a fourth of "normal" allowance.**
- **New experiments show present "fall-out" level cannot harm future generations.**
- **Fear of food contamination is refuted.**
- **Even fish contaminated in Pacific H-bomb "fall-out" could have been eaten, if skinned.**

Here's the real story from official sources.

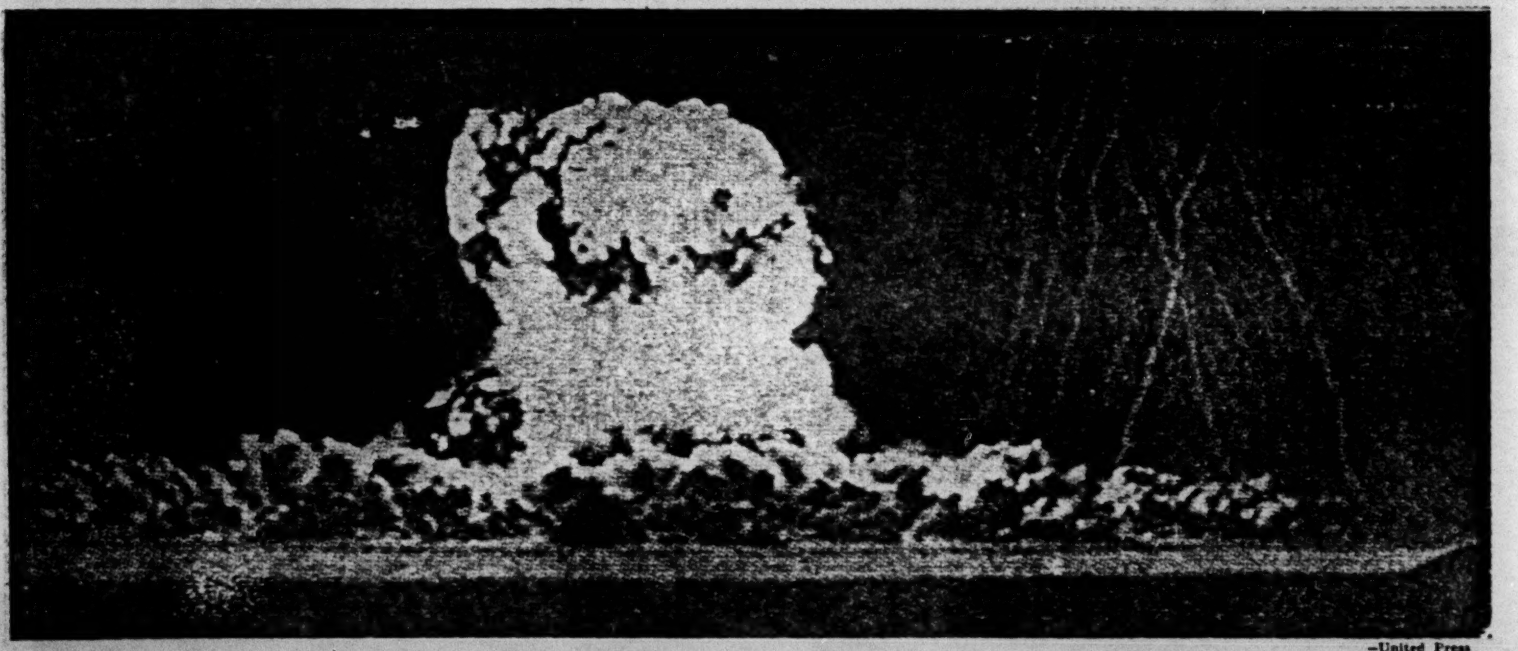
An intensive campaign to generate fear of A-bomb tests among Americans is under way at this time. In varying forms, this same campaign is being carried on in nations abroad.

Scare stories of the most sensational type are printed. Women are alarmed by reports that "fall-out" from A-bombs in Nevada might cause deformities in unborn babies. There are stories of air being poisoned, of atomic "clouds" floating across the country contaminating people and vegetation.

Vague, but alarming, statements come from many sources at home and abroad. The Soviet Union joined up by charging that A-bombs exploded in U. S. were upsetting weather in Russia.

To get the facts of what really is going on, *U. S. News & World Report* went to official sources. Extensive tests of every conceivable reaction from A-bomb and H-bomb tests have been studied. Results of those tests are facts. Many of those facts already are a matter of public record. Others are brought out for the first time in what follows.

What's done. Careful experiments have been carried out by both the Atomic Energy Commission and the U. S.



—United Press

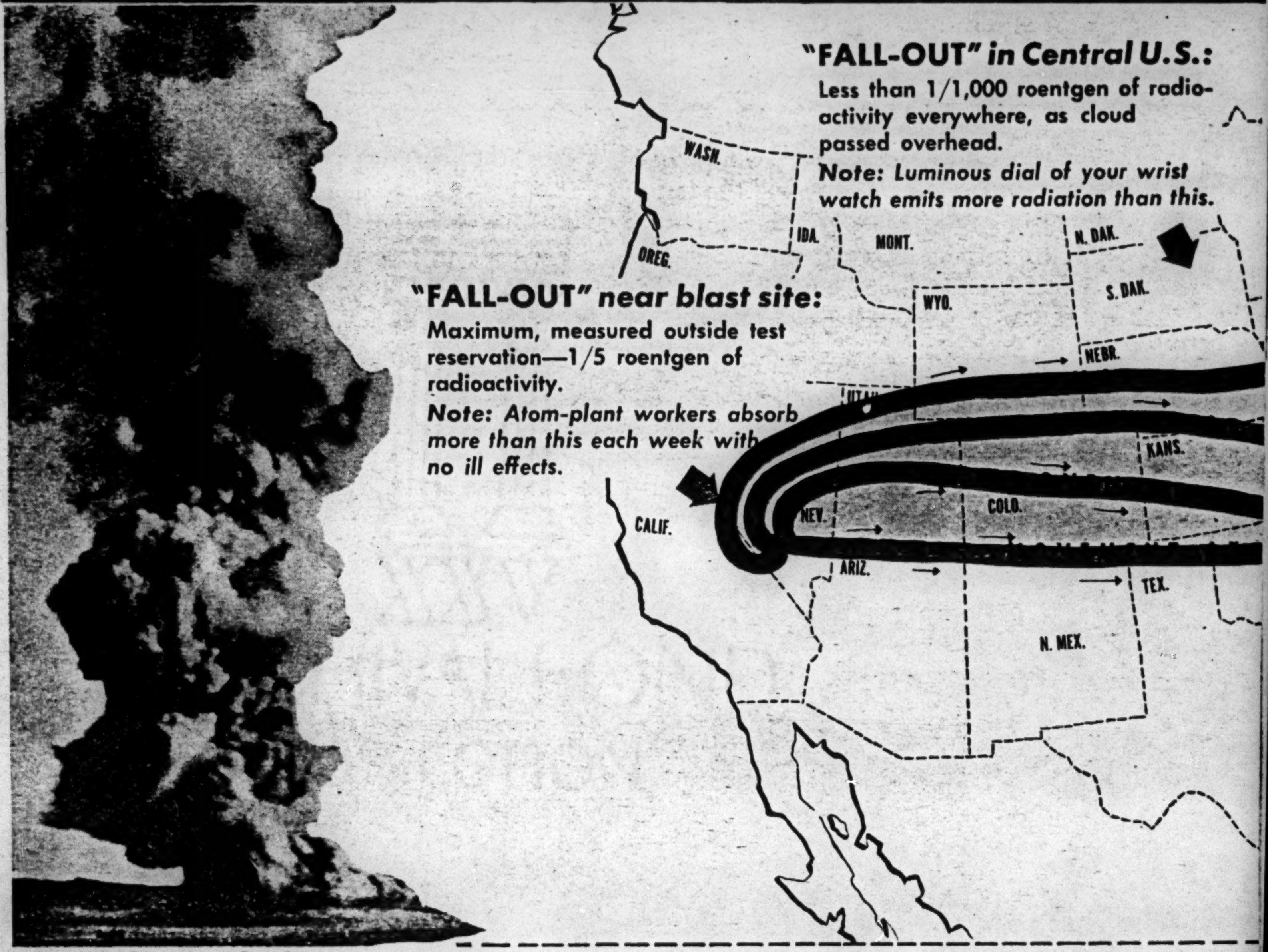
WHEN A NUCLEAR BOMB EXPLODES, THERE IS GREAT DEVASTATION

. . . but the facts about "fall-out" from tests are reassuring

ATOMIC CLOUD OVER U. S.—

Where it went, what it did

"Big Shot," most powerful in recent atomic tests, exploded at [illegible] PST, March 7, in Nevada. This map tells what happened next, as seen from official records of the U. S. Weather Bureau and Atomic Energy Commission



"FALL-OUT" *in Central U.S.*:

Less than 1/1,000 roentgen of radioactivity everywhere, as cloud passed overhead.

***Note:** Luminous dial of your wrist watch emits more radiation than this.*

"FALL-OUT" *near blast site*:

Maximum, measured outside test reservation—1/5 roentgen of radioactivity.

***Note:** Atom-plant workers absorb more than this each week with no ill effects.*

Source: Weather Bureau and Atomic Energy Commission

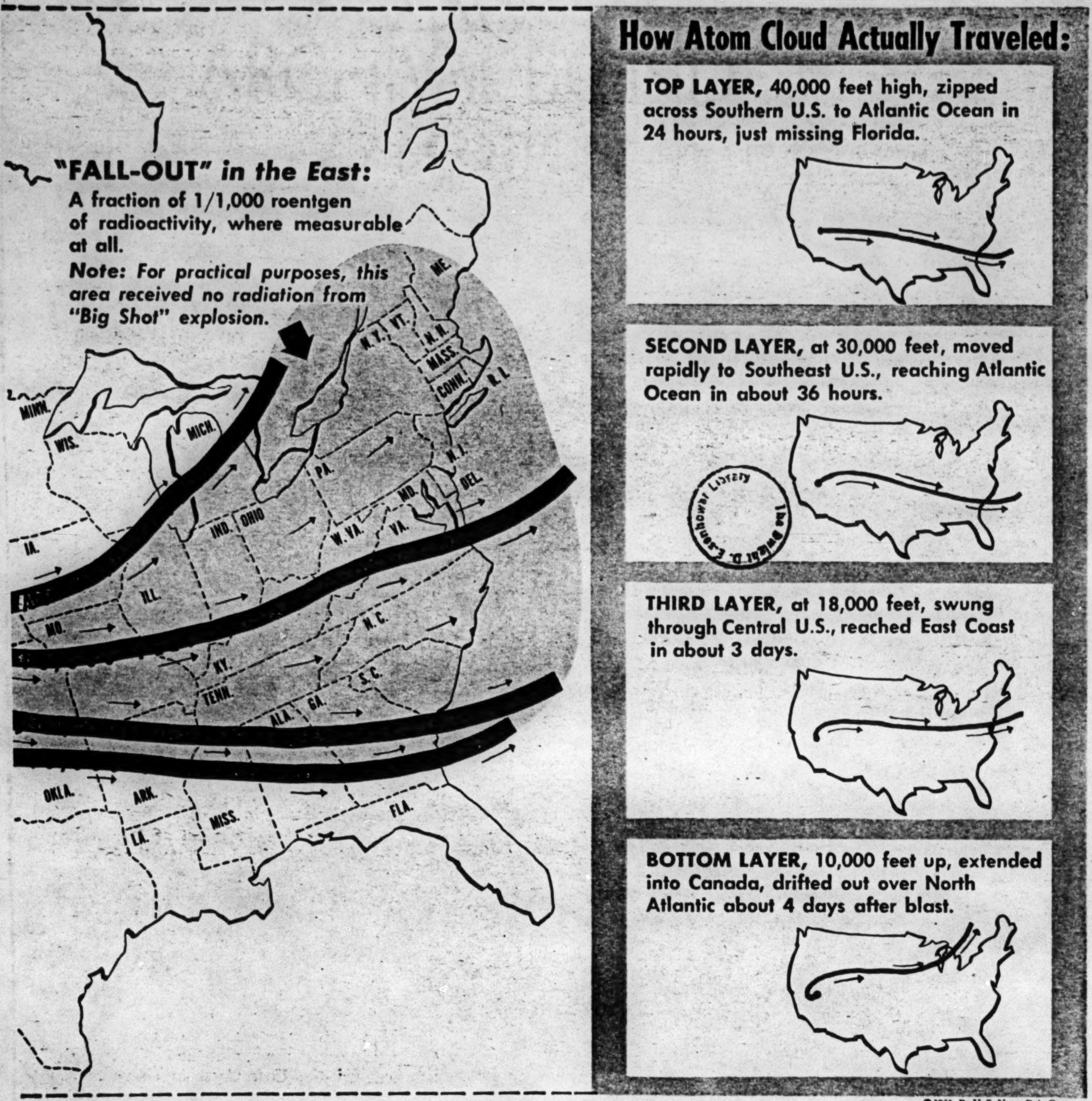
Weather Bureau to find how great is the danger from the Nevada tests. Radioactive "clouds" from each A-bomb explosion have been tracked across the country, their intensity measured at several altitudes, their "fall-out" examined all along the way. More than a hundred stations, some in nearly every State, make reports on the actual amount of local radioactivity.

Millions have been spent, too, in studying the effects of radioactivity on survivors of A-blasts in Japan, and on their offspring born after the A-bomb explosions at Hiroshima and Nagasaki. H-bomb tests in the Pacific were observed minutely to learn the effects of intensive "fall-out." Competent geneticists from all over the U. S. have been consulted to learn the probable effects of A-bursts on future generations, new experiments with animals along that line being underwritten by the AEC.

The simple conclusion is this: There isn't a word of truth in scare stories about this country's atomic tests that are getting the nation and the world in a dither.

An AEC commissioner, Willard F. Libby, explains it like this:

"The world is radioactive. It always has been and always will be. Its natural radioactivities evidently are not dangerous and we can conclude from this fact that contamination from atomic bombs, small in magnitude or even of the same order of magnitude as these natural radiations, is not likely to be at all dangerous."



"FALL-OUT" ***in the East:***
A fraction of 1/1,000 roentgen of radioactivity, where measurable at all.
Note: *For practical purposes, this area received no radiation from "Big Shot" explosion.*

How Atom Cloud Actually Traveled:

TOP LAYER, 40,000 feet high, zipped across Southern U.S. to Atlantic Ocean in 24 hours, just missing Florida.

SECOND LAYER, at 30,000 feet, moved rapidly to Southeast U.S., reaching Atlantic Ocean in about 36 hours.

THIRD LAYER, at 18,000 feet, swung through Central U.S., reached East Coast in about 3 days.

BOTTOM LAYER, 10,000 feet up, extended into Canada, drifted out over North Atlantic about 4 days after blast.

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More specific assurance is given by the ACE's director of biology and medicine, Dr. John C. Bugher, in these words:

"Small detonations, such as are fired at the Nevada Proving Ground, produce contamination extending for only a few miles and the dangerously active areas are confined to the controlled bombing range."

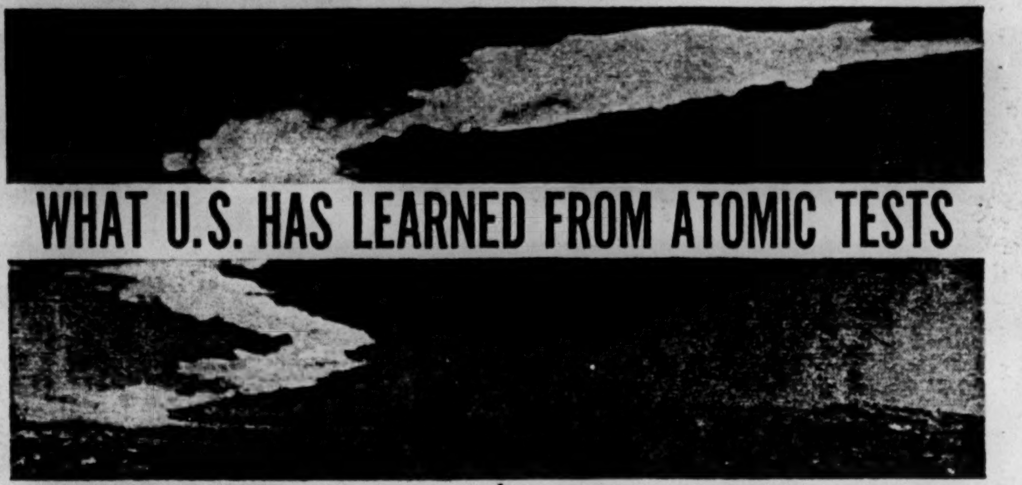
Behind these statements is a growing mass of facts and figures being brought together by technicians all over the country. From these data, scientists can assess the actual danger from any specific atomic test in great detail.

What "Big Shot" did. Take, for example, the "Big Shot" atomic explosion, set off earlier this month, at 5:20 a.m., Pacific Standard Time, on March 7 in the Nevada desert.

This was the test, larger than most, which the Communist press claimed was contaminating industry in New Jersey and which some Europeans claimed was a serious threat to Europe because of its large radioactive cloud (see chart on page 26).

From this explosion, the exact path followed by its radioactive "cloud" is shown for you in the map on these pages.

The most intense radioactivity to fall from this test burst, on a community outside the controlled bomb range, hit a nearby town in Nevada. It measured just one fifth of a roentgen. The roentgen is a unit of radioactivity. You get 15 roentgens concentrated on one spot



WHAT U.S. HAS LEARNED FROM ATOMIC TESTS

AEC TESTS SHOW:

A wrist watch with a luminous dial will affect an individual, outside Nevada, as much as "fall-out" from any A-bomb tests in U.S. to date.

AEC TESTS SHOW:

One chest X ray would give an individual in U.S. as much radiation as he has received from all atomic explosions to date.

AEC TESTS SHOW:

Fish from the deck of the *Fortunate Dragon* — heavily contaminated after the big H-bomb test in the Pacific — could have been eaten safely, if skinned with reasonable care.

AEC TESTS SHOW:

Cattle grazing in an area of heavy "fall-out" may be contaminated by radioactivity on their hides and in their intestines, but when slaughtered "removal of those parts would leave the edible part quite safe for food."

AEC REPORTS THAT:

Atomic tests within the U.S. are planned so that no community will get more than 3.9 roentgens of exposure in a year — one fourth of the amount routinely permitted for atomic workers.

AEC REPORTS THAT:

Radioactive "fall-out" is carefully measured each day in nearly every State in the union during the "test season."

AEC TESTS SHOW:

Particles of "strontium 90" in the air form the greatest long-range danger to humans from the A-bomb tests. Yet, after all these tests to date, the amount of this substance in the air in U.S. is only 1 one-millionth of the level that would produce harmful effects on people.

AEC TESTS SHOW:

H-bomb tests could be held every week for an indefinite period without raising the amount of "strontium 90" to a dangerous level.

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when you have an ordinary set of dental X rays. It takes at least 25 roentgens to produce an effect on the human body. A 100-roentgen exposure is dangerous, but almost certainly would not be fatal. At Hiroshima, exposure to 400 roentgens of radioactivity was fatal for some, but not for others, while 500 roentgens were fatal in most cases.

Biggest "fall-out" measured from the "Big Shot," in other words, was not dangerous. No one was even warned to get inside. Atomic workers, as a rule of thumb, are permitted exposure to considerably more than this every week for an indefinite period.

Following the rays. As the cloud traveled across the U. S., spot checks showed what was happening to the "fall-out." At Salt Lake City, rain increased the amount of radioactivity measured on the ground, but even so it amounted to only .006 of a single roentgen, a perfectly safe exposure. Throughout the Midwest, reports did not exceed .001 of a roentgen.

In New York City, maximum radioactivity measured about .0003 of a roentgen, or just a shade above normal "background radioactivity." Rochester was the same. Other major cities in the East showed no deviation from their normal range of radioactivity.

The cloud itself, meanwhile, spread to vast size. At first it resembled a regular cloud. Then its top section began to be carried east at a high rate of speed by prevailing winds, while its lower area drifted slowly to the west. Soon the cloud was invisible, detectable only by instruments.

Nowhere was the effect of "fall-out" on an individual greater than the effect of wearing a luminous-dial wrist watch, with its tiny amount of radioactivity.

Within 24 hours, the cloud's top portion had been carried by the so-called jet stream all the way across the country, to the coast of Georgia. The lower portions, about 2,500 miles away, were still connected, however, and also began to blow east. Traveling at about 600 to 900 miles a day, the rest of the cloud finally reached the East Coast in about four days.

During these four days, the radioactive particles became greatly diluted over thousands of cubic miles of air, and most of those particles "decayed" and lost their radioactivity in any event. Only rarely did any noticeable increase in local radioactivity show up in the careful measurements made every day in the big cities below the cloud.

Suppose a "fall-out" of this amount were repeated, day after day. Would not this build up a dangerous amount of exposure for some areas over a period of time?

The AEC reports that there is no danger of build-up from A-bomb tests under current restrictions. It does not plan to make any H-bomb tests within the U. S. or where they could contaminate other countries. Within U. S., the planners have set a limit of 3.9 roentgens of total exposure for a year as the maximum any community will receive from tests permitted. This is only a fourth of the maximum amount that atomic workers may be subjected to routinely during the year.

How about indirect effects of "fall-out" from the tests? Even if no one is hurt immediately, could the radioactive content of the air get into human systems, create deadly diseases?

The thing to watch for here, officials have concluded, is something called "strontium 90." This consists of highly radioactive particles which have a long life expectancy and which, if eaten or breathed, tend to collect in the bones of an animal or human, irradiating them dangerously.

After all of the atomic explosions to date, however, the amount of strontium 90 in the air is only .001 of the permissible level, a millionth of the level which would cause real harm. Tests indicate that an H-bomb explosion could be conducted every week for an indefinite period without raising the level of this substance to dangerous heights.

The strongest fear. How about the danger to future generations? This fear, the hardest to combat, is being played on particularly in the current campaign to view U. S. atomic tests with alarm. The concern, widely publicized, is that a general increase in radioactivity may greatly speed up the number of "mutations" in succeeding generations, result in widespread abnormalities of various kinds.

Much money and effort, first of all, was spent by AEC to keep close track of babies born to those survivors of the Hiroshima and Nagasaki bursts who were subjected to heavy doses of radioactivity. The assumption had been that a number of "monsters," or at least an increase in abnormalities, would appear, particularly in offspring of two survivors who had both been subjected to near-lethal doses of radioactivity. To many scientists' surprise, there has been no measurable increase in mutations among the 50,000 children tested.

To get data on what might happen to succeeding generations, the scientists are experimenting with irradiated animals and insects—mostly mice and fruit flies, in order to deal with large numbers. Mutations have indeed appeared. Some have been lethal, sometimes causing a 10 per cent cut in the rate of population increase. Most have been minor, like

WILL H-BOMB TESTS AFFECT FUTURE GENERATIONS?

AEC TESTS SHOW:

The 50,000 babies born to Japanese exposed to nearly fatal doses of radioactivity at Hiroshima and Nagasaki show no measurable increase in "mutations." More than 4 million dollars has been spent by U. S. making careful tests of this "2d generation."

AEC TESTS SHOW:

Fruit flies, raised for 128 generations in highly radioactive surroundings, did not degenerate, as expected. Instead, they ended up a better race of fruit flies—hardier, more vigorous, more reproductive, with better resistance to disease.

Library

AEC TESTS SHOW:

Mice subjected to heavy doses of radiation showed few adverse "mutations" in succeeding generations. Worst resulting trait: a moderate increase in the occurrence of leukemia.

AEC TESTS SHOW:

Japanese survivors of A-bomb blasts with nearly fatal radiation doses also showed an increase in the frequency of leukemia. That tendency, however, has not continued in their children.

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changes in the color of eyes, the shape of wings or ears. A few have been remarkable.

Most startling of the genetic experiments thus far has been one in which a strain of fruit flies has gone through 128 generations in highly radioactive containers, to see what a massive dose of roentgens might produce. The result: a much improved race of fruit flies with more vigor, hardiness, resistance to disease, better reproductive capacity.

What does it all mean? Apparently the fear that people are supersensitive to mutations through radioactivity is not borne out. There is agreement among geneticists working with AEC that some changes in future generations are likely to result only from heavy or successive doses. There is some disagreement now on whether those changes will be for better or worse, if they occur. Some experts believe that mutations usually work out in the end to improve species.

Too small now to hurt. There is real agreement, however, on the fact that future generations will not be affected by the small amounts of radioactivity that are contained in "fall-out" from all atomic tests to date.

What about the indirect effects of this "fall-out" on plants and animals that may later be eaten by people? If there is a heavier degree of radiation in future tests, is there any potential danger here? The answer, in this case, was given in some detail by AEC's Dr. Bugher at a recent Senate hearing.

As this top U. S. expert explains it: "We have had extensive experiments on animals as food where such animals have received large doses of gamma radiation, and there simply is no transmissible effect.

"With respect to plants, some of the radioisotopes in the 'fall-out' material may be absorbed by the plant and ingested by the animal—the grazing animal.

". . . Some [radioactive] . . . elements can be picked up by the plant from the soil, and thus be carried to the animal.

"However, all of those that are of any consequence at all tend to localize in the animal's skeleton, not in the flesh that is used as food. So at the present moment, as far as using the animal as food, there seems to be very little hazard that could be associated with that type of transmission."

In past H-bomb experience, even the fish contaminated while on the deck of the Japanese *Fortunate Dragon* now are found to have been not hopelessly contaminated. The AEC spokesman says: ". . . In the case of those fish, the contamination was found to be on the outside of the fish, and actually the fish could have been skinned with reasonable, just reasonable care in the normal way of preparing tuna fish, and they would have been quite all right as food."

It all adds up to this: Scare stories now being circulated about grave dangers from current U. S. atomic tests are turning out to be without basis in fact. "Fall-out" from big bombs in wartime may become highly dangerous, but there is no evidence that "fall-out" from test explosions now being carried out by U. S. will be hazardous either to people now, to future generations, to food crops, or even to the weather.

WEATHER AND ATOM TESTS—
FICTION AND FACTS

Russia, with collective farms failing, blames troubles on U. S. atom tests.

Charges were made at a 1954 world weather conference in Geneva that U. S. atomic explosions had ruined Soviet weather, caused crops to fail.

To answer this Russian claim, U. S. Weather Bureau experts studied records, established these facts:

RAIN	**Not affected by atom tests in any way.**
TORNADOES	**No connection with atom explosions.**
DROUGHT	**It's impossible for atom tests to cause droughts.**
STORMS	**Atom explosions are far too puny to set off storms.**

The Weather Bureau's verdict—

***FEARS,* about atomic tests' changing weather, are groundless.**

***CLAIMS,* about weather upsets from atom tests, are unsubstantiated.**

WHAT THEY ARE SAYING ABOUT DANGERS IN A-TESTS

STATEMENT—

Ray R. Lanier and Theodore Puck, scientists at University of Colorado: "For the first time in the history of the Nevada tests, the upsurge in radioactivity measured here within a matter of hours after the tests has become appreciable. It is not our desire to alarm the public mind needlessly, but we feel it is our duty to say so."

ANSWER—

Governor Edwin C. Johnson of Colorado called the Lanier-Puck report "phony" and said its authors "should be arrested." The Governor added, "It will only alarm people. Someone has a screw loose some place, and I intend to find out about it."

STATEMENT—

News dispatch from Paris: "French weather experts said today a huge radioactive cloud resulting from the 'Big Shot' American atomic test blast in Nevada now is over Greenland and is expected to reach Scandinavia by Monday [March 14]. They described the cloud 'as large as Spain and France together.' "

ANSWER—

Official tests, reported by U. S. Atomic Energy Commission, show that, by the time the "Big Shot" cloud reached the East Coast of the United States, there was so little radioactivity left in the atmosphere that it was barely measurable.

STATEMENT—

Linus Pauling, chemistry professor at California Tech: "Continued dispersal of radioactive materials into the atmosphere is creating a critical situation. Irradiation may have started a new cycle of leukemia victims or new hereditary mutations."

ANSWER—

AEC tests show that, among 50,000 Nagasaki and Hiroshima children born of parents who had near-fatal radiation, there was no measurable increase in "mutations." AEC also reports radiation exposure to each individual from all tests to date averages no greater than that produced by one chest X ray.

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STATEMENT ON FALLOUT
BY
CHAIRMAN, ATOMIC ENERGY COMMISSION

There have been interpretations of the Atomic Energy Commission's report of February 15 on fallout giving the impression that every nuclear explosion, regardless of size or point of burst, creates a fallout danger over thousands of square miles and ranging several hundred miles downwind from the explosion. This is not the case. (Some of the interpretations, particularly those abroad, appear to be designed for propaganda purposes.)

The fallout pattern associated with the Bikini test, described in the report, was the result of the detonation of a so-called H-bomb, with a yield in the range of millions of tons of TNT equivalent. Furthermore, the explosion occurred on the surface of the island. In consequence, the fallout was the product of both the high explosive power and the contact of the fireball with the earth. A World War II type A-bomb detonated under the same conditions would have produced only a very small fraction of the fallout. Likewise, had the Bikini H-bomb been detonated high in the air, the amount of radioactive particulate material in the bomb cloud would have been an exceedingly small fraction of that which was produced by the surface explosion. In that case, the radioactive particles themselves would have been smaller and, therefore, they would not have fallen to earth so soon. This delay in fallout would have resulted in greater diffusion from the air currents and greater loss of radioactivity by decay than actually occurred.

The weapons and devices now being tested in Nevada are very much smaller than the one tested at Bikini. In fact, it would take some 10,000 of the smallest of these to produce explosive energy equal to that of the Bikini H-bomb.

While it is true that there are enough radioactive particles in the bomb clouds produced by the nuclear explosions in the current series of tests to be detected later in various localities by extremely sensitive instruments on the ground, this does not mean that dangerously radioactive fallout occurs. In the first place, the quantities of radioactive particles in the clouds as a result of these tests are not comparable to those produced by an H-bomb explosion, and in the second place, the bulk of these particles lose most of their radioactive effects within hours of the explosion. The intensity of fallout is reduced also because the varying air currents at different levels diffuse the particles.

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E.O. 11652, Section 1

By RHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

April 1, 1955
10:10 A. M. - 11:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Hobby
Under Sec. of Labor Larson
(for Sec. Mitchell)

Mr. Brundage
(for Director Hughes)
Gov. Stassen
Dr. Flemming
Chrm. Young
Dr. Burns

Mr. Mansure, GSA (in part)
Mr. David Brill, Budget (in part)
Mr. Robert Whittet, Budget (in part)

Gov. Adams
Gen. Persons
Gov. Pyle
Mr. Seaton
Dr. Hauge
Gen. Cutler
Mr. Snyder
Mr. Rabb
Mr. Patterson
Mr. Minnich

George C. Marshall Research Foundation - The President took note of this Foundation and its purpose of collecting documents pertaining to the career of Gen. Marshall. He understood that they would not be published in any way for a long time to come but that it was important to get started now on collection, analysis, and indexing. The President stated his wish that those members of the Cabinet concerned (State, Defense) would instruct the appropriate people in their departments to cooperate as far as humanly possible in declassifying and making available for reproduction such documents as are pertinent. The President expressed his disapproval of keeping wartime papers secret long after the security need expired. He asked Cabinet members to do whatever was possible when they were approached by Mr. Hagan or other representatives of the Foundation.

Agricultural Report - After reviewing the material in CI - 20, the Secretary of Agriculture emphasized the seriousness of the Congressional effort to pass the Cooley bill (H.R. 12). He was not certain that the House would approve it. He did feel that an all-out effort would be made by the opposition in election year 1956.

In connection with the item concerning per capita income, the President asked whether that depended upon the fact that there are now fewer farmers

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than before. The Secretary replied that it did, that such a trend had been in process for the last twenty years. He then cited the possibility that farmers may vote against wheat marketing quotas this year, thus requiring a lowering of price supports to 50% and causing a serious drop in the price of wheat.

Mr. Benson stated that acreage controls are the largest cause of complaint among farmers.

The Peters Case - The Attorney General outlined the background of the case involving Mr. Peters who had undergone Loyalty Board proceedings prior to this Administration. The Board found a reasonable doubt existed as to his loyalty and recommended dismissal. This was carried out by the present Administration after further review of the case. There is now pending a hearing before the Supreme Court to determine whether a full judicial proceeding must be had to make such a dismissal legitimate. According to the Attorney General, Peters contends that such a proceeding would require appearance in court of all witnesses -- FBI and otherwise. In an earlier judgment, the Attorney General pointed out, the Supreme Court had held that it was not necessary to have a full judicial proceeding, but Court opinion was split 4 - 4. The Attorney General then went on to set forth the need for protecting the identify of FBI and military intelligence agents. He pointed to the parallel of confidential documents in probation cases and even within the American press which insists on its right to protect its sources of information.

There ensued a brief discussion of the status of consultants and the fact that they need not be consulted if any doubt existed about their loyalty.

The Secretary of State pointed out that so many precedents are drawn from U.S. history during peacetime -- when indeed the present age has been characterized as one of "not war, not peace". The President drew on his military experience with regard to the authority required by a field commander to replace his subordinates in the interest of the safety of the many people within the subordinate's unit. He believed the welfare of the country must take priority in security cases.

The Vice President inquired as to what public opinion might be in this regard for, in practice, it does seem to have an effect on Supreme Court judgments. The Attorney General then commented on the fact that Congress had placed full responsibility for the security program on the Department heads, and an adverse verdict in this case would limit opportunity to fulfill that responsibility.

Surplus Property Disposal Program (CP - 25) - Mr. Brundage outlined the material in CP-25 and presented a series of charts emphasizing the excess real estate at such places as the VA hospital at Little Rock and Chillicothe. He emphasized that the project had reached a critical stage and required the top level support if potential savings of billions of dollars are to be achieved.

The President commented about the inconsistency of local officials who did not want Federal projects closed out but at the same time complained

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E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

about land taken off the tax rolls. Sec. Wilson commented on the fact that a declaration of "surplus" tended to make the property worthless and thus reduced the value of Defense taking the risk of selling property now which it might have to buy back at increased rates later on.

In regard to the specific case of Fort Logan, the President commented that his own interest was in seeing that Budget discussed its plans with Sen. Millikin.

Mr. Brundage then read the recommendations at the end of the paper. The President commented that he was disappointed that only $60 million of property had been surveyed thus far. He recalled to Sec. Wilson that he had noted much extra ground at many military reservations and that it might be sold if a worthwhile price could be obtained for it. Sec. Humphrey then in support of the Budget Bureau "moved the recommendation". The President emphasized that he was in complete agreement and that he would like the department heads personally to move in on this program.

First Quarter Economic Report - Dr. Burns stated that the first quarter of this year had concluded with economic activity at a high and generally satisfactory rate. He cited statistics concerning rates on general activity, retail trade, disposable personal income, labor income, investment income, farm prices, and unemployment, and made comparisons with previous years. He suggested that the farm picture was somewhat gloomier than presented by the Secretary of Agriculture but that the difference of opinion might depend upon technical statistical questions which he would discuss with the Secretary of Agriculture. Dr. Burns then talked about the rise in the stock market which he was not willing to characterize in terms of "sound" or "unsound", but he believed it should be studied carefully. He emphasized that a major rise in the stock market does not have so extensive an impact upon the general economy as does a major decline, for the latter is exaggerated by fears which are not balanced by any comparable action during a rise.

Sec. Weeks suggested that the market perhaps had been catching up with the inflationary trend of the past twenty-five years. Sec. Humphrey stated his agreement with Dr. Burns especially in regard to the difference in impact on the general economy. The President stressed the importance of avoiding "scare" tactics. Sec. Humphrey believed that the Administration ought to do anything that can be found to be done. He warned against moving too fast on changes in the interest rate. Gov. Stassen suggested further change to restrict credit buying of stocks.

Grunewald Case - The Attorney General took note of the recent conviction of Mr. Grunewald and cited the earlier cases concerning Mr. Noonan and Mr. Bolick of the Internal Revenue Service. He emphasized that it has now been proved in court that there was great corruption in the Revenue Service and that the quarter million dollars of bribes which had been proved constituted the largest bribery scandal in history -- even larger than Teapot Dome. The President commented on the irony of the fact that it made the headlines so little in contrast with the headlines of the Teapot Dome affair.

Rest and Rehabilitation - The President took note of the Congressional

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By DHC NLE, Date 8-5-76

recess from April 4th through the 13th, which he thought was an ideal time for heads of departments to get away from their heavy responsibilities. He urged them to do so.

Cabinet Schedule - It was indicated that there would be no Cabinet meeting next week because of the significance of the day. After ascertaining that the Vice President would be away on the 15th of April, the President indicated that he expected to be away also and that Governor Adams could ascertain if a need existed for a meeting. If so, the Secretary of State would preside.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

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CABINET PAPER—PRIVILEGED
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CI - 20

March 31, 1955

The White House

Washington

THE CABINET

Report on Agriculture - April, 1955

For information of the Cabinet, attached is a brief factual paper prepared by the Secretary of Agriculture and highlighting the current agricultural picture.

This paper is to be considered as background for the Secretary's remarks at the coming Cabinet Meeting (CA - 18, Item 2) and also for Cabinet Members and their associates who may be called upon to answer queries about the Administration's program and objectives concerning agriculture.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Information

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REPORT ON AGRICULTURE - April 1955

THE OVERALL PICTURE

1. High level of economic activity is aiding adjustments underway in agriculture. For the first time in history, there is the prospect that we may make the transition from war to peace without the major deflation which is so disastrous to farmers.

2. Production continues high. 1954 a near record. Acreage reductions shift the pattern but do not always reduce the total.

3. Prices received by farmers are steady to weak. Parity ratio dropped 19 points during 1951 and 1952, seven points during 1953 and 1954. All these changes occurred under the old law. The Administration's farm program does not become operative until 1955 crops are harvested.

4. Exports after severe declines into 1953 were turned up that year. They are running 15 percent above a year ago.

5. Farm income change during the past year is variously quoted:

Farm operators' realized net income:	down 10%
Farm operators' total net income, adjusted for inventory change:	down 1%
Average income per capita of the farm population	up 1%

The press and opposition play up the most dramatic figure of 10%.

THE PROBLEMS

1. CCC borrowing power in use: still climbing, though at a slower rate. Will be about 8.5 billion this spring, then ease off and build back to about 9.5 a year from now. Expect to reach a peak February 1956, then diminish slowly. If H.R. 12 is passed, making 90% supports for basics mandatory for another 3 years, $10 billion ceiling on CCC borrowing authority will probably need to be increased.

2. Wheat problem is the most serious. 2.7 billion tied up in wheat (703 million loans - 1,994 million inventory). By summer of 1955 it is estimated that we will have enough wheat to meet all anticipated domestic and export requirements for 2 full years. (Approximately 1 billion 800 million bushels) May take a decade to work out of it unless more drastic measures are taken.

BRIGHT SPOTS

1. Farm assets are high relative to debts; financial condition generally sound. Debts did not increase in 1954--are slightly over $17 billion. Equities increased $1 billion to $145 billion.

2. Dairy picture improving; production down, consumption up, Government purchases down, industry showing new vigor.

3. Evidence that farm people are recognizing soundness of a flexible price policy. More talk of need for freedom for farmers to operate. Most of our complaints are about controls of acreage and production.

CABINET PAPER

For Information

Page 2-Report on Agriculture - April 1955

LEGISLATIVE PROSPECTS

1. H.R. 12, to extend mandatory price support at 90 percent of parity -- we hope to defeat.
2. Other proposals are in general moving satisfactorily. Program for low income farmers will soon be ready.
3. Sugar Act legislation is causing us great concern. Interests of some 20 states involved -- largely friends of the Administration. Important the Administration maintain leadership of legislation if possible.

CABINET PAPER—PRIVILEGED

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CP - 25

March 29, 1955

The White House

Washington

THE CABINET

Policy Concerning Surplus Federal Real Property

For consideration by the Cabinet, attached is a paper prepared by the Bureau of the Budget proposing a reaffirmation of Executive Branch policy on the disposal of surplus federal real property.

The attached paper gives some of the background concerning the development of this policy, highlights the obstacles which have chiefly impeded its implementation, and cites some of the specific actions taken and the results obtained.

Four specific recommendations are made.

It is expected that illustrative maps will be used during the Cabinet discussion of this paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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Revised

THE CABINET

Surplus Federal Real Property

Background: About a year ago the Bureau of the Budget brought to the attention of the Cabinet the advantages of selling surplus government real property and in that way helping the current budget by the cash proceeds, and future budgets by reductions in the cost of repairs and maintenance. Some months later a small unit was established within the Bureau of the Budget in cooperation with General Services Administration to identify units of surplus property and expedite their disposal. The Director made a brief informal report of progress at the January 28 Cabinet meeting.

Discussion: After the disposals of property immediately following World War II, there was a substantial slowing down of this activity. Recent efforts have met with agency reluctance because of strong local opposition to closing down hospitals, offices or to any disposals which would result in reduced government operations in local areas.

Actions Taken and Results: During the past year, principal land holding agencies have submitted reports of plans to declare unneeded property excess.

Results have been disappointing in view of the substantial quantities of unneeded real property still being held by the Government. The value of property declared excess during the last six months of 1954 was less than declarations during the same period of the previous year. Specific steps taken are:

1. A report has been submitted to the Administrator of Veterans Affairs indicating unnecessarily large areas of land at VA hospitals and recommending that a substantial part of the 44,000 acres now held for this purpose be declared excess. The VA is cooperating in taking the necessary action. Current plans are to declare 7,300 acres as an initial step.

2. The Post Office Department has been aggressive in reviewing its land holdings. To date, 44 post office sites have been declared excess and about 100 other sites are being studied for possible disposal.

3. The Department of Defense has stated that it has reviewed facilities totaling 82,000 acres costing $60 million and that a substantial portion may be declared excess. This includes 41 airfields and bombing ranges. This is indicative of what can be accomplished in the Department of Defense, but the quantities reviewed are small in comparison with total holdings costing about $17 billion. The Secretary of Defense, on March 17, asked the Joint Chiefs to comment on a proposal for annual reexamination of need for all Department of Defense real property.

4. The General Services Administration has implemented the authority granted by P.L. 760, 83rd Congress, permitting the use of private real estate brokers and appraisers in selling surplus property. This will speed up actual sales, but delays in final disposal action are caused primarily by administrative obstacles, complex circularization methods, and legal requirements. An intensive study of these obstacles is underway.

Precaution: It should be emphasized that this program specifically takes into account the government's long-range needs for real property. In the operation of the disposal program, due care is taken to avoid having to buy land in the future in the same localities where surpluses have been disposed of.

CABINET PAPER

For Consideration

Recommendations:

1. It should be reaffirmed that it is clearly the policy of the Administration that the federal government should divest itself of real property holdings which:

   a. not being needed by any agency are a drain on federal resources; and

   b. can be sold for the benefit of the U. S. Treasury, or

   c. can, under certain conditions, be made available for local health or educational purposes.

2. Each Department Head should, by written directive, personally ensure that intensified efforts are made within his Department to implement this policy, specifically: to declare excess any real property which is not needed.

3. The General Services Administration should as a matter of policy advise real estate and business interests in the localities adjacent to properties found to be surplus that they are surplus, so that there will be a demand that these properties be placed on the local tax rolls -- to counterbalance demands that the federal government continue to maintain them for other public purposes for which they may or may not be needed.

4. The Bureau of the Budget and the General Services Administration should make a progress report on this surplus real property disposal program to the Sub-Cabinet by next July 30.

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CP - 25

April 1, 1955

The White House

Washington

THE CABINET

The Program for the Disposal of Surplus Federal Real Property

The attached approved paper is circulated for personal attention and action by the respective Cabinet Members (note approved Recommendation 2).

The recommendations of this paper were approved at the Cabinet Meeting of April 1 (RA - 18, Item 4).

The program outlined here will be carried on by the individual Departments and Agencies under the stewardship of the Bureau of the Budget and the General Services Administration.

Pursuant to approved recommendation 4, a progress report on this program will be scheduled for consideration by the Sub-Cabinet following July 30.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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THE CABINET

Surplus Federal Real Property

Background: About a year ago the Bureau of the Budget brought to the attention of the Cabinet the advantages of selling surplus government real property and in that way helping the current budget by the cash proceeds, and future budgets by reductions in the cost of repairs and maintenance. Some months later a small unit was established within the Bureau of the Budget in cooperation with General Services Administration to identify units of surplus property and expedite their disposal. The Director made a brief informal report of progress at the January 28 Cabinet meeting.

Discussion: After the disposals of property immediately following World War II, there was a substantial slowing down of this activity. Recent efforts have met with agency reluctance because of strong local opposition to closing down hospitals, offices or to any disposals which would result in reduced government operations in local areas.

Actions Taken and Results: During the past year, principal land holding agencies have submitted reports of plans to declare unneeded property excess.

Results have been disappointing in view of the substantial quantities of unneeded real property still being held by the Government. The value of property declared excess during the last six months of 1954 was less than declarations during the same period of the previous year. Specific steps taken are:

1. A report has been submitted to the Administrator of Veterans Affairs indicating unnecessarily large areas of land at VA hospitals and recommending that a substantial part of the 44,000 acres now held for this purpose be declared excess. The VA is cooperating in taking the necessary action. Current plans are to declare 7,300 acres as an initial step.

2. The Post Office Department has been aggressive in reviewing its land holdings. To date, 44 post office sites have been declared excess and about 100 other sites are being studied for possible disposal.

3. The Department of Defense has stated that it has reviewed facilities totaling 82,000 acres costing $60 million and that a substantial portion may be declared excess. This includes 41 airfields and bombing ranges. This is indicative of what can be accomplished in the Department of Defense, but the quantities reviewed are small in comparison with total holdings costing about $17 billion. The Secretary of Defense, on March 17, asked the Joint Chiefs to comment on a proposal for annual reexamination of need for all Department of Defense real property.

4. The General Services Administration has implemented the authority granted by P.L. 760, 83rd Congress, permitting the use of private real estate brokers and appraisers in selling surplus property. This will speed up actual sales, but delays in final disposal action are caused primarily by administrative obstacles, complex circularization methods, and legal requirements. An intensive study of these obstacles is underway.

Precaution: It should be emphasized that this program specifically takes into account the government's long-range needs for real property. In the operation of the disposal program, due care is taken to avoid having to buy land in the future in the same localities where surpluses have been disposed of.

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Recommendations:

1. It should be reaffirmed that it is clearly the policy of the Administration that the federal government should divest itself of real property holdings which:

   a. not being needed by any agency are a drain on federal resources; and

   b. can be sold for the benefit of the U. S. Treasury, or

   c. can, under certain conditions, be made available for local health or educational purposes.

2. Each Department Head should, by written directive, personally ensure that intensified efforts are made within his Department to implement this policy, specifically: to declare excess any real property which is not needed.

3. The General Services Administration should as a matter of policy advise real estate and business interests in the localities adjacent to properties found to be surplus that they are surplus, so that there will be a demand that these properties be placed on the local tax rolls -- to counterbalance demands that the federal government continue to maintain them for other public purposes for which they may or may not be needed.

4. The Bureau of the Budget and the General Services Administration should make a progress report on this surplus real property disposal program to the Sub-Cabinet by next July 30.

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E.O. 11652, Section 1

By SHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

April 22, 1954
9:35 A. M. - 11:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. of State Hoover
(for Sec. Dulles)
Sec. Humphrey
Deputy Sec. of Defense Anderson
(for Sec. Wilson)
Deputy PMG Charles Hook
(for Mr. Summerfield)
Mr. J. Lee Rankin
(for Mr. Brownell)
Sec. McKay
Sec. Benson
Under Sec. of Commerce Williams
(for Sec. Weeks)
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young
Amb. Lodge
Dr. Burns

Hon. Louis Rothschild (in part)
Hon. Francis V. du Pont, Commissioner of Public Roads (in part)

Gov. Adams
Gen. Persons
Mr. Dillon Anderson
Mr. Randall (in part)
Gov. Pyle
Mr. Morgan
Mr. Martin
Mr. Gruenther
Mr. Hagerty (in part)
Mr. Rockefeller (in part)
Dr. Hauge
Mr. Harlow
Mr. Murray Snyder
Col. Goodpaster
Mr. Rabb
Mr. Minnich

Administration Legislative Program (CI-21) - Gen. Persons stated that this item would be handled by each Cabinet member giving the status of particularly important pieces of legislation and setting forth any ideas he might have in regard to securing Congressional approval. Gov. Pyle emphasized that the chief need at this time is salesmanship -- getting across knowledge of the program through every available contact, and selling the program both to Congress and to the public. He urged that all possible platforms be utilized, and he pointed to the availability of informational material such as the notes on CI-21 and the FACT PAPER collection which he distributed at the meeting.

Foreign Trade - Mr. Randall reported the status of this bill in the Senate. He noted that an amendment to shorten the program from three years to two had been defeated in Committee by a one-vote margin and that an amendment to avoid double jeopardy on the textile industry had been approved. He said that next Monday and Tuesday would be critical when the Committee debates the commodities amendment and the

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escape clause. In regard to the first, he noted current discussions which may succeed in taking the heat from the oil import issue. He stressed that in regard to the escape clause the Administration could not accept any changes which went further than the language developed -- but not adopted -- during the debate in the House. He pointed to the need for securing support from Republican Senators such as Carlson and Bennett. The President then commented on the vast importance he attached to effective Republican support in securing approval of this bill.

World Trade Organization - Sec. Hoover indicated that this matter would -- and should -- rest quietly in Committee until action is completed on the foreign trade bill.

Highway Program - Mr. Rothschild reported Senate disfavor for the Administration bill. He and Sec. Humphrey both believed Administration action should be concentrated in the House. Mr. Rothschild said that there is no thought of departing from the Administration bill and that it would be desirable to develop full public support for it. He suggested that emphasis be put on three very desirable features of the bill: (1) Roads built under this program would be serviceable for the next twenty years; (2) it involved no increase in the gasoline tax; (3) it left funds available to the states for developing other roads not included in this program. Gov. Adams noted that Gov. Kennon would give the program another big boost at the forthcoming Governors Conference in Washington in early May.

National Reserve Program - Sec. Anderson noted several criticisms of the program which bothered Rep. Short particularly. He believed it possible -- and important -- that we secure a good Committee vote on this. If that can be done, he believed the nation could finally secure an effective Reserve program which would contribute greatly to national security at a minimum cost. He sought the help of the entire Cabinet in securing public support for the program. The President indicated he is to discuss this with Reps. Arends and Short in the near future.

Other Defense Department Legislation - Sec. Anderson reported that satisfactory progress was being made with the Renegotiation Bill, the bill for Medical Aid to Military Personnel, and the Survivorship Benefits bill. The President said that he had no objection to an alternative Survivorship plan so long as it is fair.

Water Resources - Sec. McKay indicated that the opposition effort to delete the Echo Park Dam from the Upper Colorado River Project had been defeated in Committee. He indicated that there would be a tough battle in the House over this project. The President indicated that this project had much merit as a "lifetime investment". He then asked what Interior is doing about the Fryingpan project. Mr. McKay reported that Interior is working on it, that it is somewhat expensive, but that it is a good project. The Secretary went on to praise the John Day project, which is the first of importance under the Administration's partnership program. He noted also the Trinity River Project in California whereby water would be diverted through a tunnel to supply the Central Valley. He indicated that Interior was studying an apparently attractive offer from Pacific Gas Light Company which would permit the government to make a substantial savings on this project. Mr. Hughes expressed a liking for this offer.

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Sec. Benson suggested that considerable opposition to water resources projects could be removed if the Administration could make clear that the projects would not immediately result in bringing more land under cultivation at a time when the nation is beset by surpluses. Sec. McKay said Interior would be glad to work with Agriculture to develop such a statement.

The President asked if any irrigation projects were planned for the Eastern part of the country. He emphasized how little topsoil is left in this part of the country. Mr. Benson thought an irrigation project could be undertaken somewhere in the East. Reference was made to Sen. George's interest in the Hartwell Dam project.

Postal Pay and Postal Rates - Mr. Hook outlined this well-known situation and indicated that the Conference Committee would report out a bill somewhere between 8.2% and 10%. If that bill were vetoed, as he hoped, it would then become possible to get a desirable bill through the House.

Mr. Hook subsequently commented that distortion of the reclassification proposal was perhaps even worse than the high percentage of the salary increase.

The President commented on how difficult it would be to justify to the public a veto of an 8.2% increase which was so little higher than what the Administration had indicated would be acceptable. But he stated also his conviction of being right in resisting the "blackjack efforts" of those who are trying to force the higher bill through.

Federal Salary Increase - Chairman Young reported that Rep. Murray does not wish to move his 5.6% pay increase bill until action is completed on Postal Pay, hence efforts to move Classified Pay now would probably not succeed.

Farm Legislation - Sec. Benson repeated his feelings on the need for defeating H.R. 12 which would extend rigid 90% price supports for three more years. He was optimistic about the new feeling against rigid supports which is showing up in the South and is voiced by Senators Eastland and Ellender. He believed the bill could be defeated in the House. He thought the proviso for a multiple price system for wheat was so undesirable that it would make converts to the Administration side. It is important, he thought, that Congressmen from dairy states should realize that the school lunch and cattle vaccine programs would be provided under regular authorizations without need for voting H.R. 12.

Minimum Wage - Sec. Mitchell noted the sentiment in the Senate for setting the new minimum wage at a level higher than the 90¢ recommended by the Administration. He indicated that the House Committee was reluctant to initiate hearings on the matter. He was disturbed that so little attention was being given to extension of coverage.

Mutual Security Program - Gov. Stassen went over the material in the briefing paper in detail. He emphasized that extensive hearings and much controversy are to be expected, but he was confident that an adequate program would eventually be forthcoming. He felt that approval of the Paris accords would restore confidence among some Senators in the desirability of the Mutual Security Program. The Vice President

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stressed the hard fight to be expected in Congress. The President commented on the comparatively low cost of maintaining foreign units in contrast to the high cost of American units.

Sec. Anderson suggested that a feature story be developed for one of the "Sunday supplements" showing the close relationships of the foreign trade program and the mutual security program. White House staff will pursue this.

HEW Legislation - Mrs. Hobby presented a very gloomy picture of the future of her department's legislative proposals, then voiced the opinion that the political opposition was attempting to insure that this Administration got no glory for any legislative accomplishments in this field. She was especially concerned with the manner in which the budget for the White House Conference on Education had been mutilated.

The President set forth his interest in the proposal for Distinguished Achievement Awards and his hope that a system of awards in various degrees could be developed.

The slowness of Congressional action on the HEW legislation gave rise to further discussion of the need for concentrating public attention on the merits of the President's program.

Immigration Law - Amb. Lodge suggested that a study be made of ways to improve the immigration laws. Mr. Rankin reported that the Attorney General was already studying the matter. The President believed it important to concentrate immediately on a few simple but important changes and follow up with further recommendations for changes from time to time rather than attempting all at once. Mr. Stassen wanted to prevent Congress from pinpointing the administrative responsibility as in the case of the Emergency Immigration Bill.

Bricker Amendment - Mr. Martin took note of the Kefauver Sub-Committee hearings to begin soon, and the invitations to Cabinet members to testify. He stated that the Attorney General and Sen. Bricker were going to discuss a possible compromise and that it would be desirable to delay testimony until those discussions were completed. Mr. Martin was authorized by the Cabinet to get in touch with Sen. Kefauver in order to delay the appearance of Cabinet members. Cabinet members will get in touch with the Attorney General before they finally go up to testify. Gov. Adams pointed out that Sen. Bricker had considerably softened his position on this matter, and Mr. Martin suggested that certain elements in Congress were desirous of fomenting division among Republicans by playing on this issue. He believed it possible to clear up the situation by bringing it out in the open as the Attorney General and Sen. Bricker were attempting to do. The President stated that the Cabinet could always oppose with safety anything that would curtail Presidential power to conduct foreign affairs effectively.

Development of Agriculture's Human Resources (CP-26/1) - Sec. Benson indicated that he had selected from the report certain recommendations on which he focussed in his transmittal letter to the President and which he hoped would soon be implemented. He hoped also that the President would soon give it his blessing and forward it to Congress. He stated that the Under Secretary of Agriculture would be in charge

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NLE Date 11/21/78

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of this very significant program which marks the first time in history that an integrated approach has been made. He stressed also the importance of development of farm resources to continued urban development.

The President inquired as to the cost of the program in the first year. Sec. Benson believed it would amount to $3 million direct cost, plus an additional loan authority of $30 million, since much of the work would be done with funds already available. Mr. Hughes reported that Budget was already working with Agriculture on financial details.

Mrs. Hobby offered a minor change in language and Sec. Benson invited Cabinet members to send any further suggestions to him during the next few days. He stressed the need for announcing this since the press was already aware of the report and the political opposition might attempt to anticipate some of the action.

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CI - 21

April 21, 1955

The White House

Washington

THE CABINET

Briefing Papers Concerning the Legislative Program

For information of Cabinet Members, attached is a series of briefing papers covering seven of the sixteen selected portions of the Administration's legislative program which will be discussed under Item 1 of CA - 19.

These papers, prepared by the respective Departments concerned, contain quotable background information to enable Cabinet Members and their top staffs to give accurate and effective support to these major proposals in speeches, press conferences or other public statements.

Additional copies of these statements, reproduced without the Cabinet letterhead, are available from the Cabinet Secretary's office.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Information

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ADMINISTRATION'S PLAN FOR SCHOOL CONSTRUCTION

The Administration has proposed to Congress the enactment of a bill which provides effective methods of overcoming the Nation's classroom shortage. The plan provides a four-pronged attack on the problem through:

—Bonds purchased by the Federal Government from school districts unable to market their bonds at reasonable rates of interest.

—Federal assistance to States in establishing school building agencies which would build schools for local school districts on a lease-purchase basis.

—Federal-State grants to needy school districts sufficient to enable them to finance school buildings under either of the first two forms of aid.

—Federal grants, to be matched by the States, to stimulate the development of long-range plans to overcome obstacles to school construction.

The plan has been criticized on the ground that it contains too many Federal controls.

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The plan recognizes the importance of education to the national interest and welfare. But it scrupulously observes the inviolate right of States and communities to control and conduct the education of the Nation's children and youth. There is no element of Federal control of education in the plan. It is a method for States and communities to utilize the financial strength of the Federal Government--the collective strength of all States and communities--to build, and in most cases pay for, their own schools. The plan is based on the oldest and soundest principle of solving problems for which the individual States and communities and the country as a whole share responsibility. The same principle has been used for years jointly by the States and Federal Government in building badly needed hospitals, in eradicating disease, and in constructing highways.

The plan has been criticized on the ground that it will take too long to set up State school building agencies.

It will take only as long for State school building agencies to be set up as it will take the legislatures to act in those States which choose to use this method. This would also be true under the plan for Federal aid to needy school districts. After all, the plan is based on the fundamental principle of State and community control of education. Therefore, these features of the plan are the proper concern of State legislatures. Most other Federal proposals would require action by State legislatures. Establishing a State school building agency, however, may not be necessary in all States. Some States have school districts which have not exceeded their bond limits, and these districts may choose to issue bonds for school construction. Enactment of the Administration's plan would mean the Federal Government could almost immediately purchase the bonds issued by districts which cannot market them at reasonable interest rates.

The plan has been criticized on the ground that it provides only a fraction of the outright financial grants needed.

The outright financial grant--the grant designed for school districts having extreme overcrowding, double shifts, or hazardous or unhealthful conditions—is only one of the several financial strengths of the plan. Only a few districts have a proved need and a proved lack of financial ability to meet that need. If the total financial strength of the plan were utilized, about $7 billion of Federal, State, local, and private funds could be put to work. This sum would build 200,000 classrooms for 6 million children. No single financial method is the whole answer to school construction. Because of varying State and local needs and problems only such a comprehensive and flexible program can solve the classroom shortage.

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ADMINISTRATION'S PLAN TO EXPAND VOLUNTARY HEALTH INSURANCE

The Administration has proposed to Congress the enactment of a bill which is designed to enable more people to meet more of their costs of medical care through the voluntary insurance method.

Under the plan, a reinsurance fund of $100 million would be established. It would be used to reinsure voluntary health plans sponsored by private insurance companies, voluntary nonprofit associations such as Blue Cross and Blue Shield, and other voluntary groups. The theory of the plan is that extension of voluntary health insurance to groups not now covered, and improvement of benefits, will involve unusual risks to the organizations sponsoring the insurance.

The plan has been criticized from the extremes--that there is no need for it, that it does not go far enough, and that it goes too far.

That there is need for this legislation is undeniable--a fact recognized in all quarters where there is familiarity with the inability of many Americans to meet the costs of modern medical and hospital care. With respect to the plan not going far enough or going too far, it is a reasonable answer between these extremes. It is an answer based on the principles of self-help and the maintenance of the highest standards of medical care.

In 1952-53 the medical costs of half a million families were as large or larger than their entire annual income. In the case of one million families, medical care costs amounted to half or more of their annual income. The Nation's private medical and hospital bill in 1953 was $9.9 billion. Health insurance paid only about one-fifth of the bill, or $1.9 billion.

The plan has been criticized on the ground that the insurance industry does not need reinsurance.

The nature of the insurance industry tends to limit the development of new kinds of insurance, especially by small organizations. Advances in insurance usually come about over a long period through the activities of a relatively small number of companies. The reinsurance plan is intended to protect the organizations which take the special risks in developing voluntary health insurance to cover more people and pay better benefits. Thus, rapid progress can be made in bringing insurance protection to more people for more of the costs of their medical care.

The plan has been criticized on the ground that it will not reduce the cost of insurance unless subsidy is used.

The Administration does not claim that reinsurance will reduce the cost of voluntary health insurance. This is not the purpose of the reinsurance proposal. Its purpose is to mitigate the need to set unusually high premium rates during the period of expanding the insurance and improving its benefits, and thereby encourage more rapid development and acceptance of plans providing broader benefits for more people.

The plan has been criticized on the ground that it would place the Federal Government in competition with private enterprise.

The plan is designed, not to compete with private enterprise, but to supplement private endeavor. The plan prohibits the use of Federal reinsurance when private reinsurance is available on comparable terms. If adopted, the program would tend to stimulate private insurance. Activity in one kind of insurance promotes public understanding which leads to increased sales of supplemental or related insurance.

The reinsurance service is designed to be self-supporting and does not provide subsidies. The organizations to be reinsured must voluntarily seek the reinsurance and share in unanticipated losses. State agencies would continue their regulatory activities. An advisory council, appointed by the President, would advise on the establishment of operating policies for the reinsurance service.

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April 20, 1955

FOREIGN TRADE PROGRAM

Congressional problems currently are centered on H. R. 1 and the Organization for Trade Cooperation.

H. R. 1, which would authorize the President to reduce tariffs moderately on a selective basis in return for real reductions in trade barriers against our exports, is now before the Senate Committee on Finance in executive session. It has reached the critical stage where specific amendments of the bill are being proposed and voted on. The 8 to 7 vote against reducing the life of the bill from 3 to 2 years indicates the fight we are having to prevent enactment of any crippling amendments.

H. R. 1 would provide the basis for a moderate trade agreements program. It would not of itself reduce a single tariff. Tariff reductions would be made selectively on an item-by-item reciprocal basis.

Safeguards are retained to protect American industry from the threat of serious injury resulting from increased imports. Prior to any trade agreement negotiation, a list of the articles proposed for tariff reductions must be published, and public hearings held. The Tariff Commission must establish a "peril point" for each article, that is, the rate below which an industry might be threatened with serious injury from import competition. Only after the public hearings and Tariff Commission determinations are articles finally selected for negotiation. Since the peril point provisions have been in effect, hundreds of articles have been subject to tariff-cutting negotiation, and the peril point determinations of the Tariff Commission have been strictly observed. H. R. 1 also would retain the safeguard to protect domestic production needed for projected national defense requirements.

In any case where an industry may be threatened with serious injury as a result of increased imports, tariff rates may be reviewed under what is known as the escape clause procedure. All tariff cuts made in trade agreements are subject to withdrawal under escape clause action.

Enactment of this legislation will advance world trade, and bring the leadership of the United States to free-world efforts to increase production levels and raise living standards through economic development. It will be further evidence of our determination to strengthen the free world against the threat of Communism.

The Organization for Trade Cooperation. The Congress, on April 14, 1955, was requested to authorize United States membership in a new international organization, the Organization for Trade Cooperation. This is urgently required as a medium for reducing trade barriers by multilateral negotiation. In addition to administering the General Agreement on Tariffs and Trade, which contains the trade rules for the protection of the tariff concessions in trade agreements, the OTC would serve as a forum for the amicable adjustment of trade problems. It would provide a mechanism through which arrangements for trade agreement negotiations would be facilitated.

The OTC would have no supra-national powers. It could impose no new obligation upon us. Congress would retain full Constitutional powers in matters of tariffs and trade and would be free to act as it sees fit. The OTC would conduct no trade negotiations; this would be done by the countries themselves. Its functions and responsibilities are limited strictly to the trade field.

(For further information see the President's special messages of January 10, and April 14, 1955, and Fact Sheet Nos. 80, 125, 127, 131, and 134.)

CABINET PAPER

For Information

NATIONAL RESERVE PLAN

The National Reserve Plan, H. R. 5297, is currently under consideration by the full House Armed Services Committee. As proposed by the President in his special message of January 13, 1955, this bill contains provisions amendatory to existing law to authorize: (1) improvement of the reserve structure; (2) direct recruitment and training of young men for the Reserve Forces; (3) transfer of trained personnel to the National Guard; (4) measures to insure participation in reserve training; and (5) establishment in peacetime of State Defense forces.

H. R. 5297 is not the original bill introduced at the request of the Department of Defense. Compromises to accommodate the views of various interested groups and agencies have resulted in changes in details. However, there has been no change in basic principle.

Significant changes in detail include the employment of 45 days annual training in lieu of a non-performance discharge as the means of insuring training compliance; a statutory guarantee to meet program personnel strengths of the National Guard; and establishment of a minimum of 100,000 annually for entry direct into the Reserve.

Two particulars unsettled by subcommittee require decision by the full committee: (1) authority of the President to order all or part of the Ready Reserve into active duty during an emergency proclaimed by him; (2) authority to induct young men into the Reserve Forces if necessary to meet requirements.

The National Reserve Plan is designed to provide: (1) needed Reserve Forces without reducing the effectiveness of the Active Forces; (2) minimum effect of mobilization on essential civilian activities; and (3) maximum equitable sharing of the military obligation.

The principal opposition comes from those who confuse provisions of the National Reserve Plan with Universal Military Training. There are significant differences between the two.

The National Reserve Plan is a 4-year program; Universal Military Training is a permanent military manpower program. The National Reserve Plan recognizes the need for a balance of military strength based on strategic requirements; Universal Military Training would reduce Active Forces in specific relation to the increase of initially trained men in the Reserve Forces. The 6-months training program of the National Reserve Plan is primarily voluntary; Universal Military Training would be compulsory. The National Reserve Plan assures needed numbers of prior-service personnel in the Reserve Forces; Universal Military Training would place this aspect on a fully volunteer basis. Under the National Reserve Plan, men taking the 6-months training are members of the Armed Forces; under Universal Military Training they would be in a separate corps.

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EXTENSION OF THE RENEGOTIATION ACT OF 1951

Chief arguments in favor:

Industries and companies doing large volumes of business with the Government must not be allowed to make unreasonable profits on Government contracts. Department of Defense expenditures in FY 1954 were approximately $40 billion, and expenditures of approximately $35 billion for FY 1955 are expected. The magnitude of these expenditures, necessitated by present international tensions, create a climate where renegotiation is an essential power to insure maximum return for each dollar spent.

In addition, the next two years will see an introduction into the Defense program of the latest types of supersonic aircraft. Close pricing for such new products is exceedingly difficult, if not impossible.

Common criticism and answers:

1. Criticism: Renegotiation removes financial incentives for economy and efficiency and in fact induces carelessness.

Answer: Renegotiation eliminates only unreasonable profits. The careless or uneconomical producer may well find that he has very little or no profits at all.

2. Criticism. Administration of the renegotiation program has cost almost more than it has returned to the Treasury.

Answer. Renegotiation has, despite an existing backlog, returned already large sums to the Treasury. Furthermore, the Renegotiation Act has had a useful psychological effect on original contract pricing and has proved particularly effective in the subcontracting areas. Hence, the amounts recovered do not alone reflect the overall benefit to the Government.

3. Criticism. The necessary exercise of judgment by renegotiation officials results in arbitrariness.

Answer. Renegotiation determinations are made by a Board long experienced in this field. We have every confidence in the competence, fairness and impartiality of its judgment.

4. Criticism. The emphasis in contracting should be on the price to the Government, not on profits to the contractor.

Answer. To a considerable extent, the emphasis in contracting is solely on price to the Government. However, the control of profits to a reasonable level cannot always be achieved, particularly in contracts for new equipment. In the changing technology of the Defense effort, new equipment becomes more complex, and past production and cost experience is not necessarily satisfactory for forecasting costs and avoiding unreasonable profits. Furthermore, close pricing is not always possible where the Government is unable to obtain the benefits accruing from extensive competition because of limited sources or proprietary situations.

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MEDICAL CARE FOR DEPENDENTS OF MILITARY PERSONNEL

ADMINISTRATION PROPOSAL:

Based on recommendations of an impartial Citizens Advisory Commission headed by Harold G. Moulton, the Department of Defense has developed legislation to provide a uniform medical care program for dependents of members of the Armed Forces. Identical bills have been introduced in both Houses of Congress. They are S. 934, H. R. 2685, and H. R. 3009. There are 2,591,777 dependents of active duty military personnel. Some medical care is now provided for over half of them. More than 40 percent receive no care because they live too far from military medical facilities or because there is over-crowding or insufficient personnel at existing facilities. The bill would authorize this group to secure inpatient and outpatient care from civilian sources with the Government's meeting a substantial part but not all of the costs involved. It would also provide a firm legal basis for the care which is now given by the Armed Services. Eligibility of dependents, scope of care authorized, required contributions, and necessary safeguards are specified in the bill. Available military medical facilities will continue to be used. No additional personnel or facilities are authorized. The establishment of a definite medical care plan for military dependents is expected to improve morale, increase re-enlistments and induce more persons to select a Regular military career.

COORDINATION AND COMMENTS:

The bill, as presented, has been thoroughly discussed with representatives of the American Medical Association, the voluntary Blue-Cross/Blue Shield insurance system, the American Life Convention, and the Life Insurance Association of America. The American Medical Association has recommended that it be changed to give dependents a choice of either military or civilian facilities and coverage by insurance with a payroll deduction to cover hospitalization only. Blue-Cross/Blue-Shield will undoubtedly make an offer providing the AMA does not object. The commercial companies have concluded "that under a program such as would be established by the proposed legislation, it would be of doubtful advantage and economy to utilize insurance on either a fixed-cost or a cost-plus-fixed-fee basis."

PROPOSED ACTIONS:

Amendments have been prepared for the use of the American Medical Association if they so desire in order to modify the bill so they will have no serious objections. Their criticisms regarding various benefits accruing have been discussed thoroughly and can be handled by regulations issued by the Secretary of Defense. The bill has been discussed with Chairman Carl Vinson of the House Armed Services Committee in the presence of Mr. Dewey Short, Senior Minority Member, and Mr. Robert W. Smart, Chief Counsel for the Committee. Mr. Vinson regarded this bill favorably and said it would be the third item to be considered by the total Committee after the Easter recess.

CABINET PAPER

For Information

CABINET PAPER—PRIVILEGED

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SURVIVOR BENEFITS LEGISLATION

The Department of Defense, in collaboration with the Bureau of the Budget, the Social Security Administration and the Veterans Administration, prepared a revised draft bill and submitted it to the Honorable Porter Hardy, Jr., Chairman of the House Select Committee, on April 15, 1955, in compliance with his official request. This draft bill proposed a plan essentially the same as that presented to the President by the Bureau of the Budget on 21 March 1955. The only significant change since that time is the elimination of the benefits of the Contingency Option Act as an integral part of the plan, which resulted in a reduction of $10 million in the estimated cost. This change was agreed to by representatives of the Bureau of the Budget and other interested agencies.

The Bill was forwarded to the Select Committee as an unofficial draft, but with the knowledge of the Bureau of the Budget. Indications are that the official clearance of the bill by the BOB will be forthcoming in the near future.

On Tuesday and Wednesday, April 19 and 20, 1955, the Department of Defense Task Force appeared before the House Select Committee for the purpose of giving a detailed presentation of the proposed bill (Plan "A"). This presentation by Department of Defense representatives marks the beginning of exploratory hearings by the Select Committee which will continue through April 29, 1955, unless sooner terminated. During these hearings the Select Committee will consider, in addition to the plan presented by the Department of Defense, two or three other plans or proposals as favored by other Government Agencies.

It is the objective of the Select Committee to settle on an acceptable plan during executive sessions early in May so that a bill may be introduced on the floor of the House of Representatives by May 25, 1955. Public hearings are then scheduled to begin on June 1, 1955, with an objective of reporting a brief to the House by June 20, 1955. The Select Committee hopes to anticipate these latter dates by two or three weeks if possible.

The Department of Defense Task Force will monitor the hearings and will continue to support the plan presented on April 19, 1955. Complete assistance will be given the Select Committee to facilitate the most expeditious action possible. It is hoped that action on the legislation can be completed during this session of the Congress.

CABINET PAPER

For Information

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MUTUAL SECURITY PROGRAM FOR FISCAL YEAR 1956

The President's Message to the Congress of April 20, 1955, requested and recommended the necessary authority for appropriations to carry forward the United States Mutual Security Program. It is anticipated that after extensive hearings and considerable debate, Congress will pass the program with bipartisan support in a manner reasonably adequate to meet the essential national objectives.

It is anticipated that these three will be the most difficult issues in the Congress.

1. With the neutralism expressed in much of Asia, and with the various comments of Asian leaders like Nehru toward United States policies, why should the United States do anything to help them?

2. With a large carry-over of unexpended funds from previous appropriations in excess of $8 billion, why should this much new money be authorized?

3. As long as other free nations including the British, French, and Japanese, are trading with the Soviet Union and with Communist China in any goods whatsoever, even though not of a highly strategic nature, why should the United States spend this money to build up other free countries?

It is suggested that these principal objections can and should be overcome, and the entire Administration can assist in various ways of accomplishing this.

Suggested answers include the following:

1. Even a neutral nation making critical comments of the United States is preferable by far to having the same nation included under communist domination, and in most instances, the United States in a limited way is assisting in establishing in neutral nations the degree of economic and political stability and internal security which will prevent communist take-over. Furthermore, successful cooperation with a neutral nation can be the prelude to that nation's evolution in policy toward active cooperation with the United States in the long-term effort. In other words, the United States' objective is to prevent any expansion in communist power, especially if it can be done by peaceful means and within moderate funding requirements.

2. These Mutual Security Programs require by their nature a very long lead time. For example, it takes four or five years from the time Congress appropriates the money to establish modern jet squadrons in Turkey to the time when the Turkish Air Force is organized for this purpose, the pilots are trained, the planes are built, and paid for and delivered. During this long period, the original appropriation carries over from year to year as an unexpended balance. A considerable portion of the unexpended balance has been carried over awaiting the successful conclusion of the Paris accords so that a German Armed Force can be brought into being and serve United States and free world security objectives. Even in less complex matters than jet air forces, such as establishing university-to-university relationships between other countries and our own in technical fields, in opening up roads or ports which can tap strategic materials for United States private development important to the United States industry, or in building in other strategic countries local airfields that have a potential strategic value to the United States, long lead time is also involved and, therefore, large carry-over is unavoidable.

But if the requirements which are on a reduced level of only about one-half of the $7 billion annual peak are not met, immediate adverse results begin to set in and within two years it would be impossible ever to catch up on the lost time and lost momentum.

CABINET PAPER

For Information

3. It is impossible under any conditions other than actual war with armed blockade around the entire border to prevent trade in peaceful goods. In fact, to do so would cause economic problems in the free world nations that would themselves either create unstable political and economic conditions or would require increased United States aid.

So long as it is not concluded that a third world war is inevitable, some peaceful trade may be one of the factors that will ultimately help move the world away from the extreme tensions and from Communist aggressive designs. Our current United States national policy under President Eisenhower has resulted in the best economic situation in the free world as a whole that has ever prevailed, and this has in turn facilitated in part the strengthening of the United States economy. Conversely, there are many indications of difficult experience in agriculture in the Communist economy. The United States should follow through in its support of President Eisenhower's partnership policy and should not now radically change or seriously disrupt that policy.

It is also important for the people of the United States to understand that three out of every four aid dollars are spent directly in the United States and the balance usually gives rise to an increase in foreign exchange of other free nations which subsequently is reflected in large dollar purchases from the United States. As a part of these purchases in the United States, substantial quantities of United States surplus agricultural products, of United States coal, of other items in substantial supply with the United States, and of United States arms which are rehabilitated and are not of the most modern design are utilized.

Thus the total drain on the United States economy is kept to a minimum, and every effort is made to maximize the gain for the United States for not only its security, but also, its economy.

ADMINISTRATIVELY CONFIDENTIAL

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CP - 26/1

April 20, 1

The White House

Washington

THE CABINET

Development of Agriculture's Human Resources - The Problems of Low-Income Farmers

For consideration by the Cabinet, attached are:

1) A revised Transmittal Letter to the President from the Secretary of Agriculture which, it is proposed, will accompany the newly prepared Report from the Department of Agriculture on "Development of Agriculture's Human Resources."

2) A copy of the Report itself, received today from the printers.

In the President's Special Message of January 11, 1954, he stated that the Secretary of Agriculture, in cooperation with the National Agricultural Advisory Commission, would "give further special attention to the problems peculiar to small farmers." After a year of study and interagency consultation, a Report has been prepared by the staff of the Department of Agriculture. This Report reflects the views of the National Agricultural Advisory Commission and proposes a long-range action program to attack the problems of low-income farmers.

The Secretary of Agriculture has selected those of the recommendations of the Report which can and should be implemented immediately; his proposals to the President for this implementation are contained in the draft Transmittal Letter attached.

Those Departments primarily concerned with these problems have already cooperated in the preparation both of the Report and of the Letter. At its coming meeting, the Cabinet will not be asked to give final, binding approval to either document, but rather to give support to the general direction in which the Letter proposes that the Administration move, subject to the President's determination.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

ADMINISTRATIVELY CONFIDENTIAL

The President
The White House

In compliance with your request in your special Congressional message on agriculture last year, I have given particular attention to the problems of farm people with low incomes. The Report which accompanies this letter is addressed to that subject.

The problem is more basic than low incomes expressed in dollars; the fact that it embodies human values—the lives and welfare of people and of families--gives rise to the title of the Report, "DEVELOPMENT OF AGRICULTURE'S HUMAN RESOURCES."

The report has been prepared by the Department of Agriculture, with the cooperation of many organizations, groups and individuals both within and outside of government. The study brings into bold relief the stubborn fact that large numbers of farm people with small farms have shared unequally in our country's economic and social progress.

Many of these people wish to increase their contribution to the Nation's production of goods and services, and thereby improve their own levels of living. Helping them to accomplish this objective will not only improve the well-being of those directly concerned, but will also add to the Nation's strength. Prudence as well as sympathy should impel us to strengthen our activity in this area.

Price support programs are of little help to most of these people. Production per farm is so low that only a few dollars can be added to incomes by price supports.

Problems of low income in agriculture, and efforts to alleviate these problems, are not of recent origin. Over the years, many effective methods have been developed for increasing the productivity and raising the incomes of these farm people. Among these methods are new educational techniques, supervised credit, vocational training, and the providing of employment information.

Much has been accomplished in this field during the past several years. Social security was extended last year to more than 5 million farmers and hired farm workers. Research work has been increased. The farm unit approach, as an educational method, has been expanded and adapted to the special circumstances of farm people with low incomes. Opportunities for off-farm employment have been improved by the providing of employment information. Health services have been improved. Educational opportunities have been broadened. But these programs have not been fully coordinated, and operations have been on an insufficient scale.

The broad objectives of the Report are clear--to help farm people with low gross incomes achieve the goals to which they themselves aspire.

The program recommended in the Report is long-range in nature. Parts of the program are new; other parts have been operating, though not fully developed, for a number of years. Many other methods and operating procedures not reflected in the Report will be generated as work progresses.

Clearly, a broad, aggressive, well coordinated assault is urgently needed. New measures must be launched; established activities must be strengthened. To achieve maximum success, all elements of American Life in rural areas must participate in the program. Civic and business leadership, farm organizations, schools, churches, community and service clubs, local, state and Federal governmental agencies, must all assist in a long sustained comprehensive attack on the problems of low-income farm families

After careful consideration of the problems and conclusions presented in the Report, I recommend the launching of pilot operations in not less than 50 of the 1,000 low-income counties during the coming fiscal year. In addition, community development programs can be undertaken. Thus practical experience can be gained in a limited number of areas, and those elements of the program which proved most successful can be utilized as the program is broadened. In the pilot operations, efforts will be made to develop the best practical program of action, having in mind the people, the resources, and the whole range of opportunities. Real progress can be made only through emphasis on matching local plans and efforts with both the individual needs and the actual resources available for individual improvement. The program would comprise the following elements, the proper balance among them to be determined by the special circumstances of each area:

1. Expand and adapt agricultural extension work to meet the needs of low income farmers and part-time farmers.

2. Develop needed research in farm and home management, human nutrition, population, marketing, and in evaluating experience gained by the pilot program.

3. Provide additional credit for low income farmers, and extend Farmers Home Administration services to part-time farmers.

4. Increase technical assistance, such as provided by the Soil Conservation Service, to low income farmers.

5. Request the Department of Health, Education and Welfare to encourage the expansion of vocational training in rural areas of low income, instituting as many as 12 pilot operations during the school term starting in the fall of 1955 in order to gain experience needed for broad expansion of this extremely vital part of the total program.

6. Request the Department of Labor to strengthen the Employment Service in rural areas and further to adapt it to the needs of rural people. Areas of rural underemployment should be identified and included as part of the labor market services to make occupational adjustments easier.

7. Undertake to get more effective programs developed to induce the expansion of industry in rural low-income areas, using facilities of the Departments of Labor and Commerce and the Office of Defense Mobilization.

8. Call upon the State Agricultural Colleges to make substantial research and extension contributions to a cooperative venture, employing in part the increased Federal funds already included in the 1956 budget request.

9. Aggressively encourage farm, business and other leadership to assume local responsibility and to unite in efforts to aid in the development of agriculture's human resources, using trade area and community development programs to increase incomes of farmers and raise living standards. Expansion of these "self-help" programs should be assisted by the various governmental agencies concerned.

Certain actions by the Congress will be needed in order that this program may be effectively launched:

10. Farmers Home Administration should be authorized to make loans to part-time farmers.

11. Legislation should be enacted which would concentrate special funds outside the present agricultural extension formula for the purpose of conducting pilot programs and extending assistance to low-income farmers.

12. Appropriations, in addition to those in the regular budget, should be made by the Congress, for fiscal 1956, totaling approximately $3,000,000. These funds would be used for extension, research, the Soil Conservation Service, added services of the General Counsel, the Information Service, the Office of the Secretary, and operating expenses of the Farmers Home Administration.

13. Lending authority of about $30,000,000 should be provided for the Farmers Home Administration. Draft legislation and budget estimates relating to these recommendations have been prepared.

Certain administrative arrangements will also be required:

14. The Secretary of Agriculture should coordinate the administration of the total program. A principal official of the Department should be designated to assume the direct administration of the program. Moreover, two coordinating committees will be needed:

A. An interdepartmental committee, and

B. A committee within the Department of Agriculture to coordinate the work of its participating agencies.

15. The Secretary of Agriculture should be required, in September of each year beginning 1956, to submit a comprehensive report to the President on the progress of activities directed toward alleviating the problems of low income farmers and on plans for advancing the program, thus regularly focusing attention on the program and fixing responsibility for its administration.

Long Range Plans

The program outlined for the coming year must be expanded as experience is gained; the above recommendations are but a logical first step toward implementing the far broader program delineated in the Report. The desirable rate of expansion and the emphasis to be given to various segments of the program in subsequent years will stand more clearly revealed as the program herein proposed evolves.

About the Report

The accompanying Report has been in preparation for more than a year. It draws on information supplied by farmers and by the major farm organizations. State Agricultural Experiment Stations and other research institutions contributed substantially. The judgment and counsel of practically all recognized authorities in this field were made available. Organized labor, business, and religious groups were consulted as well as agricultural groups.

Information and guidance were furnished by the Departments of Agriculture; Defense; Commerce; Health, Education, and Welfare; Labor; the Farm Credit Administration, and the Veterans' Administration. Congressional reports and publications were also of valuable assistance. Of special value was the experienced judgment of men in local communities, in State agencies, and in the Department of Agriculture who for many years have dealt at first hand with these problems.

The study was a cooperative undertaking. Task forces, heading up in the Department of Agriculture but with personnel from all the abovenamed Executive agencies, prepared background material. The National Agricultural Advisory Commission provided facilities for review. Substantial agreement was reached by all participating groups on the recommendations contained in the Report.

The Report, which I herewith forward as a Report of this Department, is intended as a general guide and study document rather than as a blueprint. I am convinced that the Report both reveals an awareness of the magnitude and complexity of the serious problems of low income farmers and provides a basis for increased hope and confidence on the part of those millions of citizens of our Country.

Sincerely,

Ezra Taft Benson
Secretary of Agriculture

THE WHITE HOUSE
WASHINGTON

April 21, 1955

MEMORANDUM FOR THE PRESIDENT

Subject: Cabinet Meeting for Friday, April 22

The following items are scheduled on the Cabinet Agenda for Friday, April 22:

Item 1: The Administration's Legislative Program

See the separate memorandum on this subject - Under Tab 1.

Item 2: Development of Agriculture's Human Resources (CP - 26/1)

In your Special Message on Agriculture of January 11, 1954 you stated that the Secretary of Agriculture would "give further special attention to the problems peculiar to small farmers". The staff of the Department of Agriculture has now prepared a Report for the Secretary on the measures which need to be taken to give greater opportunities for better lives to the 30% of American farm families whose earnings are less than $1,000 a year (1.5 million out of 5.4 million, according to 1949 figures.)

The Secretary of Agriculture has selected those of the recommendations of this Report which can and should be implemented immediately. He intends to transmit the Report to you, covered by a Transmittal Letter outlining the actions recommended now. These actions can only be accomplished by several of the Cabinet Departments working in concert; the Letter with the Secretary's proposals is thus very appropriate for Cabinet consideration.

Neither the Cabinet nor you will be asked to give final, binding approval to either the Report or the Letter at this time. The Secretary of Agriculture will recommend, however, that you send the Report and the letter to the Congress early next week with an indication of your deep concern with this problem and of your support for the general direction in which the Secretary recommends we move.

After reviewing the public and congressional reaction to this Letter and Report, you may wish personally to propose specific measures and legislation.

Estimated time: 15 minutes

Item 3: Operation ALERT, 1955

Dr. Flemming wishes to brief the Cabinet on the measures which are being planned for the Relocation-Civil Defense Exercise on June 15-16-17. His briefing is for the purpose (a) of providing full information to those concerned, and (b) of obtaining the support -- which is going to be indispensable -- of each Cabinet Member.

Estimated time: 10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

April 21, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Discussion of the Administration's Legislative Program

The major item for the Cabinet meeting Friday is a discussion of selected parts of the Administration's legislative program, with the following two purposes:

1. Status and Tactics

    a. To bring out before you and the Cabinet the current status of our major legislative proposals.

    b. To ascertain what additional action is needed to help these proposals through the Congress and what changes, if any, should be made in strategy or tactics.

2. Developing Public Support

    a. To encourage Cabinet members and their top staffs to intensify efforts to develop widespread public support for key parts of the President's program.

    b. To supply the Cabinet officers with the selling points of these proposals.

This presentation will proceed as follows:

1. Introduction by General Persons on the scope and importance of the job.
2. Remarks by Governor Pyle on the many resources of the Administration to develop public support and on the need for publicity scheduling.

3. Concise briefings (3-5 minutes) on the following items in the legislative program:

a.	School Construction Program Omnibus Health Bill	Secretary Hobby "
b.	Reciprocal Trade Bill	Clarence Randall
c.	Organization for Trade Cooperation	Under Secretary Hoover
d.	Highway Program	Under Secretary Rothschild and Commissioner DuPont
e.	National Reserve Plan Renegotiation Act Medical Aid to Military Dependents Military Survivor Benefits	Deputy Secretary Anderson '' ''
f.	Water Resources Developments (Upper Colorado and John Day)	Secretary McKay
g.	Postal Salary Increase Postal Rate Increase	Deputy Postmaster General Hook
h.	Federal Pay Increase	Chairman Young
i.	Price Support Legislation	Secretary Benson
j.	Minimum Wage and Other Labor Legislation	Secretary Mitchell
k.	Mutual Security Legislation	Governor Stassen

The legislative status of these proposals will be displayed before the Cabinet on a single chart.

Concerning some of the above items, a page of factual data will have been prepared -- with advance distribution to Cabinet Members.

Estimated time for this item: 90 minutes.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

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CP - 26/2

April 27, 1955

The White House

Washington

THE CABINET

Development of Agriculture's Human Resources

The attached approved paper is circulated for action by the Department of Agriculture and by the other Cabinet Departments concerned.

This paper was reviewed briefly at the Cabinet Meeting of April 22 (RA - 19, Item 2). After slight revisions and further consultations with certain of the Departments and with the Legislative Leaders, the President gave his general approval to the paper and signed the letter of transmittal to the Congress, which is also attached.

As the Press Release format indicates, these two letters and the original Report (copies of which were previously distributed to Cabinet Members) have been released as of noon today.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

FOR RELEASE AT 12 NOON (E.D.S.T.) APRIL 27, 1955

CAUTION: The following message of the President scheduled for delivery to the Congress today, April 27, 1955, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspapers, radio and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

James C. Hagerty
Press Secretary to the President

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

In this wealthiest of nations where per capita income is the highest in the world, more than one-fourth of the families who live on American farms still have cash incomes of less than one thousand dollars a year. They neither share fully in our economic and social progress nor contribute as much as they would like and can contribute to the Nation's production of goods and services.

This human problem is inadequately pictured by charts and figures. Curtailed opportunity begets an economic and social chain reaction which creates unjustified disparity in individual reward. Participation diminishes in community, religious and civic affairs. Enterprise and hope give way to inertia and apathy. Through this process all of us suffer. This problem calls for understanding and for action.

We must open wider the doors of opportunity to our million and a half farm families with extremely low incomes -- for their own well-being and for the good of our country and all our people.

Recommendations to achieve this end have been made to me by the Secretary of Agriculture. I transmit them to you, with my general approval, for your consideration.

The Secretary's recommendations for starting the program are based on the accompanying Report prepared for him by the Department of Agriculture, entitled "DEVELOPMENT OF AGRICULTURE'S HUMAN RESOURCES, a Report on Problems of Low Income Farmers." This report, more than a year in preparation, emphasizes the long-range nature of the low-income problem in agriculture and will serve to stimulate continuing study and action. Nevertheless, an immediate start is extremely important.

The essential cooperative nature of the undertaking is clear. The recommended program is cooperative as regards individual and group action, as regards private and public agencies, and as regards agencies at local, State and Federal levels.

The Secretary's fifteen point program recognizes that this is not exclusively an agricultural problem but that opportunities for off-farm employment are a part of the solution. Recommendations emphasize the voluntary approach, the importance of working with young people, and the desirability of broadening the program as experience is gained. In all matters, the urgency of the problem is recognized. The proposed program, however, is one of prudence as well as zeal.

A many-sided attack is essential. We need an integrated program in which each part contributes to the whole. Each will be more effective if the others are adopted. Together, they will help toward a solution within the framework of freedom for the individual, respect for his rights as an American citizen, and opportunity to participate more fully in the economic life of our Nation.

Proposals for enabling legislation and the necessary appropriations shortly will be presented to the Congress for consideration.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

April 26, 1955.

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DEPARTMENT OF AGRICULTURE
WASHINGTON

April 26, 1955

Dear Mr. President:

In compliance with your request in your special Congressional message on agriculture last year, I have given particular attention to the problems of farm people with low incomes. The Report which accompanies this letter is addressed to that subject.

The problem is more basic than low incomes expressed in dollars; the fact that it embodies human values -- the lives and welfare of people and of families -- gives rise to the title of the Report, "DEVELOPMENT OF AGRICULTURE'S HUMAN RESOURCES."

The report has been prepared by the Department of Agriculture, with the cooperation of many organizations, groups and individuals both within and outside of government. The study brings into bold relief the stubborn fact that large numbers of farm people with small farms have shared unequally in our country's economic and social progress.

Many of these people wish to increase their contribution to the Nation's production of goods and services, and thereby improve their own levels of living. Helping them to accomplish this objective will not only improve the well-being of those directly concerned, but will also add to the Nation's strength. Prudence as well as sympathy should impel us to strengthen our activity in this area.

Price support programs are of little help to most of these people. Production per farm is so low that only a few dollars can be added to incomes by price supports.

Problems of low income in agriculture, and efforts to alleviate these problems, are not of recent origin. Over the years, many effective methods have been developed for increasing the productivity and raising the incomes of these farm people. Among these methods are new educational techniques, supervised credit, vocational training, and the providing of employment information.

Much has been accomplished in this field during the past several years. Social security was extended last year to more than 5 million farmers and hired farm workers. Research work has been increased. The farm unit approach, as an educational method, has been expanded and adapted to the special circumstances of farm people with low incomes. Opportunities for off-farm employment have been improved by the providing of employment information. Health services have been improved. Educational opportunities have been broadened. But these programs have not been fully coordinated, and operations have been on an insufficient scale.

The broad objectives of the Report are clear -- to help farm people with low gross incomes achieve the goals to which they themselves aspire.

The program recommended in the Report is long-range in nature. Parts of the program are new; other parts have been operating, though not fully developed, for a number of years. Many other methods and operating procedures not reflected in the Report will be generated as work progresses.

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Clearly, a broad, aggressive, well coordinated assault is urgently needed. New measures must be launched; established activities must be strengthened. To achieve maximum success, all elements of American Life in rural areas must participate in the program. Civic and business leadership, farm organizations, schools, churches, community and service clubs, local, state and Federal governmental agencies, must all assist in a long sustained comprehensive attack on the problems of low-income farm families.

After careful consideration of the problems and conclusions presented in the Report, I recommend the launching of pilot operations in not less than 50 of the 1,000 low-income counties during the coming fiscal year. In addition, community development programs can be undertaken. Thus practical experience can be gained in a limited number of areas, and those elements of the program which proved most successful can be utilized as the program is broadened. In the pilot operations, efforts will be made to develop the best practical program of action, having in mind the people, the resources, and the whole range of opportunities. Real progress can be made only through emphasis on matching local plans and efforts with both the individual needs and the actual resources available for individual improvement. The program would comprise the following elements, the proper balance among them to be determined by the special circumstances of each area:

1. Expand and adapt agricultural extension work to meet the needs of low income farmers and part-time farmers.

2. Develop needed research in farm and home management, human nutrition, population, marketing, and in evaluating experience gained by the pilot program.

3. Provide additional credit for low income farmers, and extend Farmers Home Administration services to part-time farmers.

4. Increase technical assistance, such as provided by the Soil Conservation Service, to low income farmers.

5. Request the Department of Health, Education, and Welfare to encourag the States to expand vocational training in rural areas of low income, instituting as many as 12 pilot operations during the school term starting in the fall of 1955 in order to gain experience needed for broad expansion of this extremely vital part of the total program.

6. Request the Department of Labor to strengthen the Employment Service in rural areas and further to adapt it to the needs of rural people. Areas of rural underemployment should be identified and included as part of the labor market services to make occupationa adjustments easier.

7. Undertake to get more effective programs developed to induce the expansion of industry in rural low-income areas, using facilities of the Departments of Labor and Commerce and the Office of Defense Mobilization.

8. Call upon the State Agricultural Colleges to make substantial research and extension contributions to a cooperative venture, employing in part the increased Federal funds already included in the 1956 budget request.

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9. Aggressively encourage farm, business and other leadership to assume local responsibility and to unite in efforts to aid in the development of agriculture's human resources, using trade area and community development programs to increase incomes of farmers and raise living standards. Expansion of these "self-help" programs should be assisted by the various governmental agencies concerned.

Certain actions by the Congress will be needed in order that this program may be effectively launched:

10. Farmers Home Administration should be authorized to make loans to part-time farmers.

11. Legislation should be enacted which would concentrate special funds outside the present agricultural extension formula for the purpose of conducting pilot programs and extending assistance to low-income farmers.

12. Appropriation requests are being recommended for your consideration in addition to those in the regular budget for fiscal 1956, to initiate work proposed in this report involving extension, research, soil conservation, farm loans and related services.

13. Lending authority of about $30,000,000 should be provided for the Farmers Home Administration. Draft legislation and budget estimates relating to these recommendations have been prepared.

Certain administrative arrangements will also be required:

14. The Secretary of Agriculture should coordinate the administration of the total program. A principal official of the Department should be designated to assume the direct administration of the program. Moreover, two coordinating committees will be needed:

A. An interdepartmental committee, and

B. A committee within the Department of Agriculture to coordinate the work of its participating agencies.

15. The Secretary of Agriculture should be required, in September of each year beginning 1956, to submit a comprehensive report to the President on the progress of activities directed toward alleviating the problems of low income farmers and on plans for advancing the program, thus regularly focusing attention on the program and fixing responsibility for its administration.

Long Range Plans

The program outlined for the coming year must be expanded as experience is gained; the above recommendations are but a logical first step toward implementing the far broader program delineated in the Report. The desirable rate of expansion and the emphasis to be given to various segments of the program in subsequent years will stand more clearly revealed as the program herein proposed evolves.

About the Report

The accompanying Report has been in preparation for more than a year. It draws on information supplied by farmers and by the major farm organizations. State Agricultural Experiment Stations and other research institutions contributed substantially. The judgment and counsel of practically all recognized authorities in this field were made available. Organized labor, business, and religious groups were consulted as well as agricultural groups.

more

Information and guidance were furnished by the Departments of Agriculture; Defense; Commerce; Health, Education, and Welfare; Labor; the Farm Credit Administration, and the Veterans' Administration. Congressional reports and publications were also of valuable assistance. Of special value was the experienced judgment of men in local communities, in State agencies, and in the Department of Agriculture who for many years have dealt at first hand with these problems.

The study was a cooperative undertaking. Task forces, heading up in the Department of Agriculture but with personnel from all the above-named Executive agencies, prepared background material. The National Agricultural Advisory Commission provided facilities for review. Substantial agreement was reached by all participating groups on the recommendations contained in the Report.

The Report, which I herewith forward as a Report of this Department, is intended as a general guide and study document rather than as a blueprint. I am convinced that the Report both reveals an awareness of the magnitude and complexity of the serious problems of low income farmers and provides a basis for increased hope and confidence on the part of those millions of citizens of our Country.

Sincerely yours,

E. T. BENSON
Secretary

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Development
of
Agriculture's
Human
Resources

A Report
on Problems
of Low-Income
Farmers

Prepared for
The Secretary of Agriculture

UNITED STATES DEPARTMENT OF AGRICULTURE

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on Problems
of Low-Income
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The Secretary of Agriculture

U. S. DEPARTMENT OF AGRICULTURE

Washington, D. C.

April 1955

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THE PRESIDENT,
THE WHITE HOUSE.

DEAR MR. PRESIDENT: As you requested in your Special Message on Agriculture of January 11, 1954, attention has been given to the problems peculiar to farmers with low incomes. A study has been in progress now for more than a year. Results of the study are presented in this Report, which was prepared by the Department of Agriculture.

This Report draws on information supplied by the major farm organizations. Factual findings of the State agricultural experiment stations and other research institutions were supplied. The judgment and counsel of practically all recognized authorities in this field were made available to us. Organized groups from labor, business, and the churches were consulted. Resources were drawn from the Departments of Agriculture; Defense; Commerce; Health, Education, and Welfare; and Labor, as well as from the Veterans' Administration and the Farm Credit Administration. Congressional reports and publications were used. We leaned heavily on the experiences of men in the local communities, in the State agencies, and in the Department of Agriculture who have dealt at first hand with these problems for many years.

The study was a cooperative one. The National Agricultural Advisory Commission provided a setting for the review. Substantial agreement was reached by all participating groups regarding recommendations contained in the Report.

I am transmitting to you, separately, my specific recommendations regarding the launching, during this year, of the long-range program outlined in the Report.

Respectfully yours,

Secretary of Agriculture.

PREFACE

THIS study has been focused on farm people—their needs, their goals and the obstacles they encounter. The principal cause of concentrations of farm people with low earnings has been found to be the inadequate agricultural resources in certain areas rather than any lack in the people themselves.

Proposed solutions of the problem of low income might be based on ideas about the merits of rural as contrasted with urban life. Solutions might be strongly influenced by an opinion as to the size of farm deemed desirable from the standpoint of the national interest. Instead, the hopes of the people themselves have been taken as a guide. Proposed solutions are those which the people most concerned have chosen, as shown by their economic and social behavior. Recommendations are of such a nature as to speed the adjustments which have proved sound over a long period of years.

This study, therefore, sets up no goals other than those voluntarily chosen by the people. The basic philosophy is that people will make wise decisions if they are informed regarding their various opportunities and if their capabilities are enhanced so as to increase the number of choices available to them. Insofar as individuals make wise decisions the national welfare will be advanced.

Special attention has been focused on the young people in the belief that they stand to gain most from a program which will increase the number of opportunities, the awareness of them, and capacities to take advantage of them.

The study emphasizes that the foundation for programs to increase opportunities available to low-income people is the interest and enterprise of local people and communities. But cooperative effort by local communities, private enterprises and the State and Federal Governments can make possible much more rapid improvements in levels of living of low-income families.

The approaches must be broadly formulated. An important part of the solution to the problems of farmers with low earnings lies outside commercial agriculture. Part-time farming and nonfarm employment have long been important avenues through which many farm people have improved their incomes and living levels. Both currently and prospectively, changes in agriculture take the form of the continued movement of many farm people into nonfarm occupations.

While this report is comprehensive, it does not concern itself with all phases of low-income problems in agriculture. For example, it does not cover problems of migratory agricultural workers. Consideration is being given to these problems by the President's Interdepartmental Committee on Migratory Workers.

This report was prepared for the Secretary of Agriculture under his broad authorization, by representatives of various agencies of the United States Department of Agriculture. Numerous task forces were used to develop various sections of the study. These had the active help and cooperation of other departments of the Government. Suggestions were invited from interested groups and organizations from all across the Nation.

Development of Agriculture's Human Resources

SUMMARY AND RECOMMENDATIONS

One of the important farm problems in this country is the development of human resources in agriculture. Farm families with low earnings make up more than a fourth of all the farm families. In the United States, in 1950 there were roughly 5.4 million farm operator families in all. Out of these, about 1.5 million had cash incomes under $1,000 (table 1). Most of these families are on small farms.

President Eisenhower, in submitting his recommendations for a new program to the Congress in January 1954, stated that the Secretary of Agriculture in cooperation with the National Agricultural Advisory Commission would "give further special attention to the problems peculiar to small farmers."

In line with this directive, a review has been made of this problem. This report has been prepared for the Secretary of Agriculture by the United States Department of Agriculture. The purpose is to improve programs already in operation, develop others which are feasible, and suggest further proposals which the Congress may consider.

The procedure has been to review such programs as are in effect in each key area and develop suggestions to improve them. Task forces have been set up, drawn from various government departments and private groups. These have studied various aspects of the problem as will be indicated in this report.

The approach to this problem is here regarded as primarily educational and developmental. There appear to be some direct aids in the way of credit, improved opportunities for off-farm employment, and the like, which can be offered. But it is considered that what-

TABLE 1—*Number of farm operator families with specific characteristics, classified by net family incomes, United States, 1950* [1]

Type of farm family	Total	Net cash family income from all sources	
		Under $2, 000	Under $1, 000
	Thousands	*Thousands*	*Thousands*
All farm operator families	5, 379	2, 849	1, 513
Farm operator families on small farms [2]	3, 287	2, 145	1, 269
Farm operator families on small farms with heads under 65.	2, 680	1, 691	943
Families with operator working off-farm 100 days or more.	1, 091	404	156
Families with operator working off-farm less than 100 days.	1, 589	1, 287	787

[1] Derived from "Farms and Farm People," A Special Cooperative Report, U. S. Department of Commerce and U. S. Department of Agriculture, June, 1953.

[2] Farms where the gross sales of farm products were less than $2,500 in 1949.

ever is done must be done within the American philosophy that each individual make his own decisions and set his own goals. Government has responsibility in keeping open the channels of opportunity.

Obviously, this must be a long-range program.

Some improvements have been going on. Some farmers have enlarged and improved their farm operations. Others have found off-farm jobs. Numbers of small, low-income farms have declined (fig. 1). These trends need to be stepped up. The proportion of our farm families on small, low-income farms remains large.

It may be stated as a broad premise that most of the large group of farmers on low-income farms have not shared much in the great advance of agricultural techniques. Many such farms are too small to fit the mechanized farming of the present day. Some of the soils are unproductive. Some of the farmers are old or incapacitated. On the other hand, the large numbers of able-bodied men and women in this group present a challenge to official and private agencies to point the way, if possible, to better incomes and living.

There are nearly a thousand counties in the United States where more than half of the farmers are mainly dependent on the income from small, poorly paying farms. What they are up against, in innumerable cases, is lack of enough good land, lack of equipment, lack of credit facilities, and often lack of the management information and skill which might open wider opportunity to them. In other cases, part- or full-time off-farm employment may be their best opportunity. With better information, training, sometimes credit, sometimes job opportunities off the farm, they can achieve a reasonably good living. They can thereby contribute a larger part to the community and national welfare.

Any substantial reorganization in the areas of limited opportunity is bound to be a long-term process. The job is a large one and is to be undertaken with a sense of persistent effort and of necessary continuity.

As an example, the Mississippi Agricultural Experiment Station recently estimated that the efficient reshaping of farm resources in the Mississippi uplands would mean larger farms and probably double the amount of capital. It also would involve a 60-percent reduction in the number of farm workers. Such changes would take time. The challenge is how to permit the speeding up of solutions already underway by education and by the practical application of credit, employment services, and other facilities which may be brought to bear by official or private agencies.

Of course, the changes in these low-income areas are tied to broader changes which are at work so widely in the whole American economy. The shift from an agricultural to an industrial society has brought a vast demand for industrial workers, and at the same time mechanization has lessened the need for as many workers as formerly on the farms. There has been a considerable movement from farms to urban industry. As output per farm worker goes on increasing, still fewer hands will be needed in agriculture for some time to come, which means a further movement from farm to town, especially from the low-income areas.

Even if our number of farmers were to remain stable during this 1950–60 decade, the mathematical fact is that a fourth of farm-reared

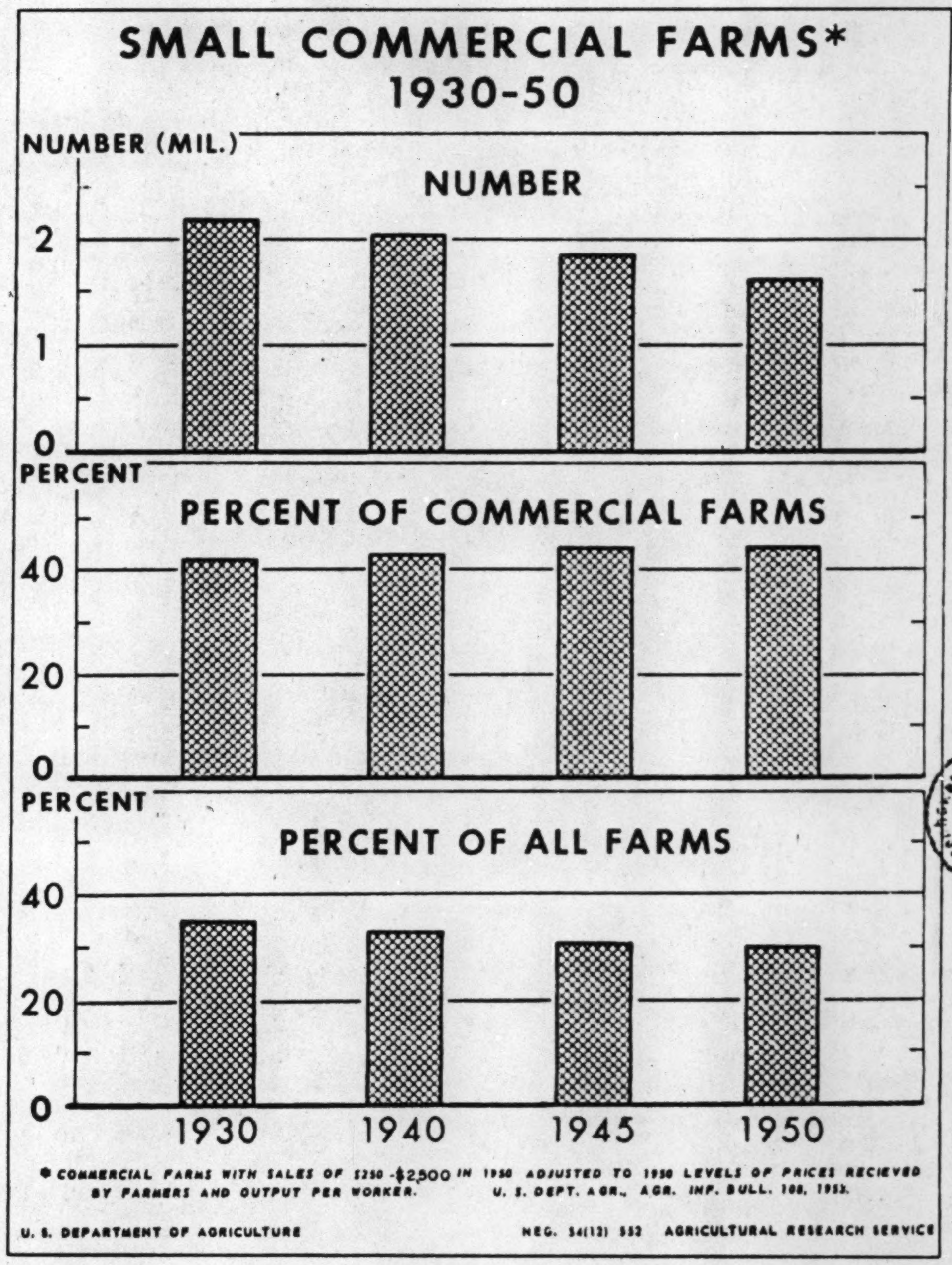

FIGURE 1.

Library

young men would have to be working off farms. In low-income areas this proportion may be a third to a half.

But a technological revolution is taking place on our farms and the hours of labor needed to supply our food needs is decreasing. Perhaps half of our farm youth will desire full- or part-time, off-farm employment during this present decade.

THE APPROACHES

Obviously the greatest need on the low-income farms is the opportunity for greater earnings. In attaining this goal more educational, developmental, and other services are needed. It is these services which may do most to improve the outlook for the coming generation—a consideration of importance when the long-time nature of this problem and its solution is understood.

One part of the problem centers around the older people or those partially incapacitated. For these, probably little practical aid can be given outside the range of welfare and social security services. The recent legislation broadening the coverage of social security will apply very helpfully in this field. In 1950 there were more than 300,000 aged operators on farms with incomes of less than $1,000. In some cases a son or relative helps out with the work or care on these places. But the number of cases as a whole are numerous enough to constitute a moving humanitarian problem.

With respect to the younger, able-bodied farmers in these areas, the chances for enlarging their earnings seem to lie in two general directions: First, by way of more capital, more land, better management and better information on crops and livestock; second, by way of more off-farm job opportunity. Vocational training and other informational and educational aids will help them either in farming or in nonfarm jobs.

The principal changes in these areas will be made by the young people, many of whom have not yet completed their education. It is important that these young people have opportunities for vocational training for both agricultural and nonagricultural pursuits. A sound program must be aimed to help them to help themselves.

Increased Productivity in Agriculture.—Farm technological developments make possible larger farms, improved production practices, and new systems of farming in several of the low-income areas.

Programs for increasing productivity in commercial farming in low-income farm areas must differ from educational programs in other areas. Efforts to improve productivity in commercial farming must be carried out hand in hand with efforts to broaden opportunities for nonfarm employment. Educational approaches must be adapted to reach people with little formal school training and small financial reserves. Technical assistance and advisory programs must be integrated with credit programs necessary to finance adoption of improved practices.

Improved Prospects in Part-Time Farming and Nonfarm Jobs.—Opportunities of this type need to be expanded. Important in this are developments to increase industrialization, part-time farming, nonfarm employment opportunities, and economic mobility.

Expanded and improved information services on job opportunities locally and outside the area should be made available. Measures should be taken to bring low-income farm areas into full consideration in industrial expansion. Services should be made available to assist low-income farmers in determining the merits of part-time farming, both as a more or less permanent activity and as a transitional step to full-time farm or nonfarm work.

Increased Opportunities for Training.—The long-term outlook for improved living in these areas depends largely on the young people now growing up there. Yet only a small percentage have a high school education, and vocational training is seldom within easy access. This limited education and training is a handicap to making the adjustments needed for improving living standards in the areas.

Defense Resources.—The Nation will be strengthened, both for peacetime and defense production, if the problems of low-income farmers are met. Improved education and technical skills, especially in low-income areas, are in the national interest. Need for improved health facilities and better diets is shown by the number of young men not suitable for military service. The move to decentralize industry and locate it in areas of abundant rural labor can be important in defense strategy and will bring supplemental income to families on small farms.

GENERAL RECOMMENDATIONS

1. Federal and State services together should develop and expand technical assistance and extension work with low-income and part-time farmers. During 1955 experimental programs should be launched in a number of counties to gain experience in new approaches.

2. Private as well as cooperative lending agencies should be encouraged to adopt lending policies which would extend more intermediate-term credit to worthy borrowers who are developing their farms.

3. More Farmers Home Administration funds should be made available for intermediate credit to supplement private and cooperative sources. These loans, supported by management guidance and technical services, would assist low-income farmers to become soundly established in a successful system of farming.

4. A State-Federal research program should be undertaken to canvass the problems of such areas and explore approaches. This would give a factual picture of the needs with respect to farming adjustments, local opportunities for off-farm work, improved vocational training and related aspects in community improvement.

5. State and regional meetings should be held by land-grant colleges, credit agencies, and other groups in cooperation with the U. S. Department of Agriculture with the objective of developing programs adapted to local needs.

6. State employment services should improve their services to facilitate employment in farm and off-farm jobs in low-income rural areas.

7. Areas of rural underemployment should be identified and included as part of the labor market services to make occupational adjustments easier.

8. The Department of Agriculture should work with the Office of Defense Mobilization and other agencies on the program of dispersing defense industries, with a view to setting up criteria whereby regions with underemployed rural labor can be recognized as sources of labor supply.

9. Steps should be taken to develop more educational and vocational training opportunities needed by farm families with restricted economic opportunities. Revised formulas for grants in aid for vocational education should be considered. All possible ways of improving educational programs and of making them more readily available to farm people should be explored. Special attention should be given to factors that motivate farm people and to developing greater individual and family interest in getting a better education.

10. The Department of Agriculture and the Department of Health, Education, and Welfare should encourage and appropriately assist States and communities to set up experimental vocational training programs as pilot studies in typical low-income areas. These programs should be designed to increase the individual opportunities to prepare for farm and off-farm employment.

11. The Department of Agriculture and State colleges of agriculture should encourage farm leaders to take part in the State conferences on education that are now being developed in connection with the White House Conference on Education scheduled for November 1955.

12. Inclusion of farmers under the social security program beginning in 1955 was an important step aimed at giving more family security, especially for low-income farmers. Steps should be taken to see that all rural people know how to qualify under the program, and how to use the social security payments to get maximum benefits.

13. Improved health should be promoted. Some of the most urgent needs are better nutrition, development and use of voluntary health insurance, recruitment of medical personnel (especially nurses), promotion and establishment of clinics and other facilities.

14. Trade area programs and community development programs have been effective in increasing incomes and raising living standards. Farm, business, and other leadership should assume local responsibility and unite in efforts to develop agriculture's human resources.

These and other steps are discussed in the sections that follow.

THE MAJOR PROBLEM AREAS

Farms with low income are found in all parts of the country, but such farms are most numerous in areas of dense rural settlement with high birth rates, where there are few outside jobs, and where topography or other obstacles hinder the use of modern machinery. In some places the land is overcrowded, so to speak. The abundance of hand labor has tended to reduce the incentive for making adjustments which would give the farms higher earning power per worker.

Problem areas are shown on the map (fig. 2). Of course the nature of specific problems and the range of possible adjustments vary greatly among and within these generalized areas.

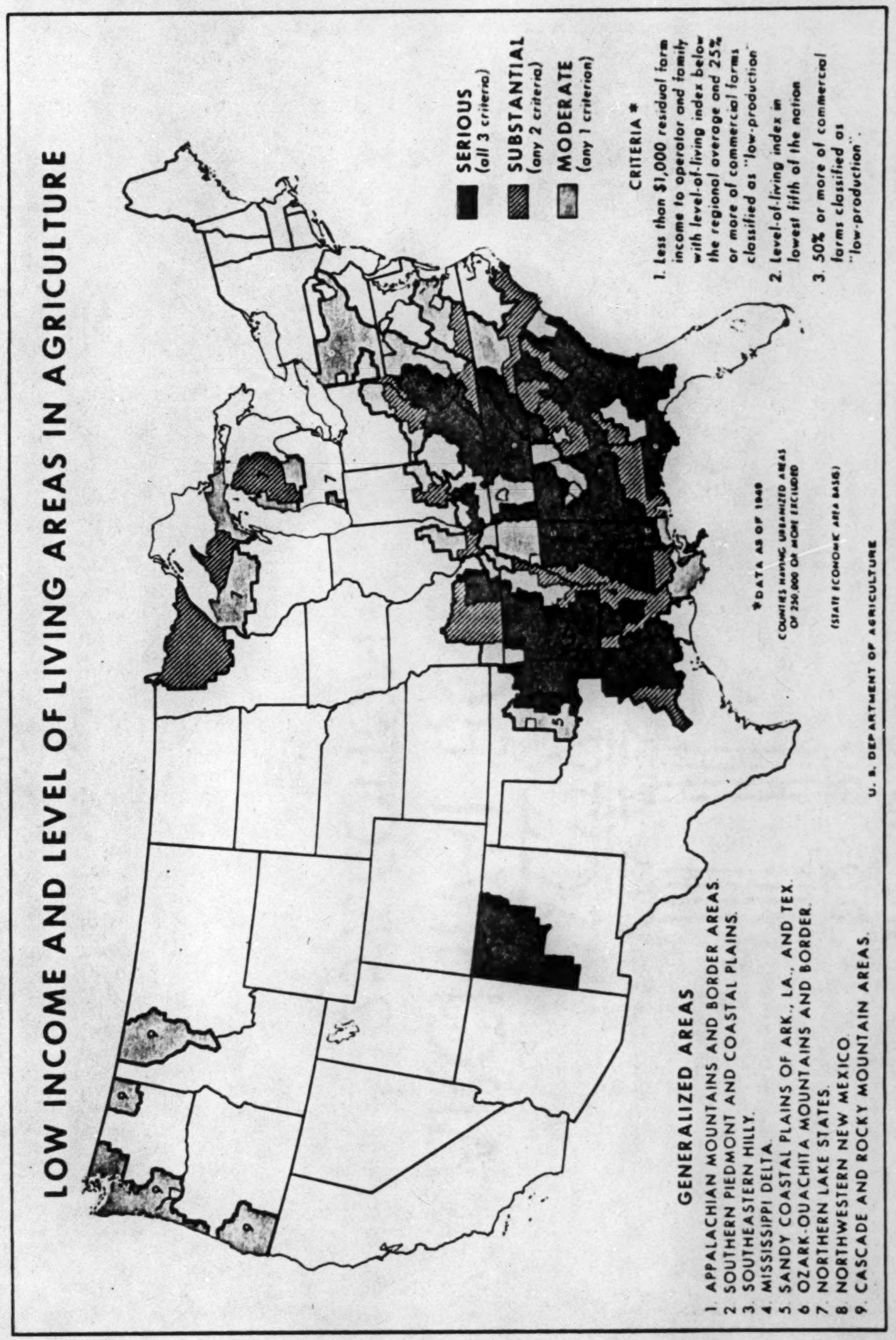
LOW INCOME AND LEVEL OF LIVING AREAS IN AGRICULTURE
■ SERIOUS (all 3 criteria)
▨ SUBSTANTIAL (any 2 criteria)
▒ MODERATE (any 1 criterion)
CRITERIA *
1. Less than $1,000 residual farm income to operator and family with level-of-living index below the regional average and 25% or more of commercial farms classified as "low-production".
2. Level-of-living index in lowest fifth of the nation
3. 50% or more of commercial farms classified as "low-production".
*DATA AS OF 1949
COUNTIES HAVING URBANIZED AREAS OF 250,000 OR MORE EXCLUDED
(STATE ECONOMIC AREA BASIS)
GENERALIZED AREAS
1 APPALACHIAN MOUNTAINS AND BORDER AREAS.
2 SOUTHERN PIEDMONT AND COASTAL PLAINS.
3 SOUTHEASTERN HILLY.
4 MISSISSIPPI DELTA.
5 SANDY COASTAL PLAINS OF ARK., LA., AND TEX.
6 OZARK-OUACHITA MOUNTAINS AND BORDER.
7 NORTHERN LAKE STATES.
8 NORTHWESTERN NEW MEXICO.
9 CASCADE AND ROCKY MOUNTAIN AREAS.
U. S. DEPARTMENT OF AGRICULTURE
5
7
9

FIGURE 2.

These areas were set up on the basis of three criteria: Net income of full-time farmers, level of living, and size of operation.[1] Thus, areas with incomes under $1,000, or having a level of living in the lowest fifth of the Nation, or having 50 percent or more of the commercial farms classed as low production, were selected for study. The area colored red on the map shows where all three of these criteria applied and represents those parts of the country where the problem is most serious.

These problem areas, so-called, strikingly contrast with the rest of the United States. Within these areas in 1950 there were a million full-time farmers of working age who sold less than $2,500 worth of products (table 2). Out of this gross sum they had to pay expenses and rent as well as family living. They represented about 40 percent of all the farms in these areas. Another 40 percent also sold less than $2,500 of products but were primarily nonfarmers or were more than 65 years old. Less than a fifth of the farms in these areas produced and sold $2,500 worth of products.

In the rest of the country three-fifths of the farmers sold $2,500 worth of products or more. Another fifth were engaged in off-farm work or were more than 65 years old. Only a fifth, roughly half a million, were of working age, running farms full time, and selling less than $2,500 worth of products.

Education among farmers from the low-income areas is below average (table 3). In the problem areas they average only 7 years of school completed and only 1 out of 10 is a high school graduate. By contrast, other farmers in the Nation average 8½ years of school and 1 out of every 4 is a high school graduate.

The farmers in the problem areas average somewhat older than outside—although 85 percent of them are under 65 years of age. They also differ from other regions in racial composition, one-fourth being nonwhite. Elsewhere the nonwhite farm population is only one-seventeenth of the total.

In the problem areas the investment in land and buildings is only about one-third that elsewhere (table 4). Cropland averages only 40 acres, compared with 120 acres outside these areas. Studies indicate that net incomes are less than half those in the rest of the country (fig. 3).

Although most farmers in the problem areas are owners, these areas include 80 percent of the sharecroppers in the country. Sharecroppers are most numerous in the Mississippi Delta and to a lesser extent in the Piedmont and Coastal Plains.

Farms in these areas are little mechanized, relatively. Only a third of them reported tractors in 1949. By contrast, three-fourths of the commercial farms in the rest of the country reported one or more tractors.

---

[1] The criteria by which each State economic area in the Low-Income and Level-of-Living Areas was delineated are as follows:

1. A residual farm income to operator and family labor in 1949 of less than $1,000 provided the State economic area had a level of living index below the average for the region and had 25 percent or more of its commercial farms classified as "low production." Residual farm income to operator and family labor represents the income (including value of home use) above operating expenses and a return to capital invested in land and machinery. See Strand, E. G., Heady, E. O. and Seagraves, James, "Productivity Levels in the United States," USDA, ARS, Tech. Bul. (in process).

2. A level of living index in the lowest fifth of the Nation. Items in the index include (1) percentage of farms with electricity, (2) percentage of farms with telephones, (3) percentage of farms with automobiles, and (4) average value of products sold. See "Farm Operator Families Level of Living Indexes," by Hagood, M. J., USDA, BAE, 1952.

3. "Low production" farms comprising 50 percent or more of the commercial farms. Low-production farms are those with sales of $250–$2,499 with the operator not working off farm as much as 100 days and farm sales exceeding family income from other sources. See "Low Production Farms," Agri. Inf. Bul. 108, by McElveen, J. V., and Bachman, K. L., USDA, BAE, 1953.

TABLE 2—*Number of farms by farm sales and by age and major occupation of farm operators, generalized problem areas contrasted with the remainder of the United States, 1950*

Type of farm	Generalized problem areas	Remainder of the United States
	Thousands	*Thousands*
All farms	2, 474	2, 905
Farms with a value of products sold of under $2,500	2, 059	1, 228
Operator over 65 or engaged primarily in nonfarm work	1, 076	847
Operator under 65 and engaged primarily in agriculture [1]	[2] 983	381

[1] Excludes operators 65 years of age and older and those working off-farm 100 days or more. Excludes, also, 225,000 farms on which the operator did not work off-farm as much as 100 days but had other income exceeding sales of farm products. These were included with operators engaged primarily in nonfarm work. It was presumed that most of these would not be classified as low-income farm families.

[2] The number of these farms by value-of-product groups is as follows:

$1,200 to $2,499	344, 000
$250 to $1,199	419, 000
Under $250	220, 000

On farms with under $250 sales, age and days of off-farm work were the only criteria applied.

TABLE 3—*Percentage of the rural farm population 25 years of age and over completing specified educational levels, 1950* [1]

Years of schooling	Generalized problem areas				Remainder of the United States
	Total	Serious	Substantial	Moderate	
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Less than 8 years completed	54. 8	59. 3	60. 0	44. 6	27. 4
Completing 8 years but not high school	33. 4	31. 0	29. 8	39. 6	46. 2
Completing high school or more	11. 8	9. 7	10. 2	15. 8	26. 4
Total	100. 0	100. 0	100. 0	100. 0	100. 0

[1] Special tabulations from United States Census.

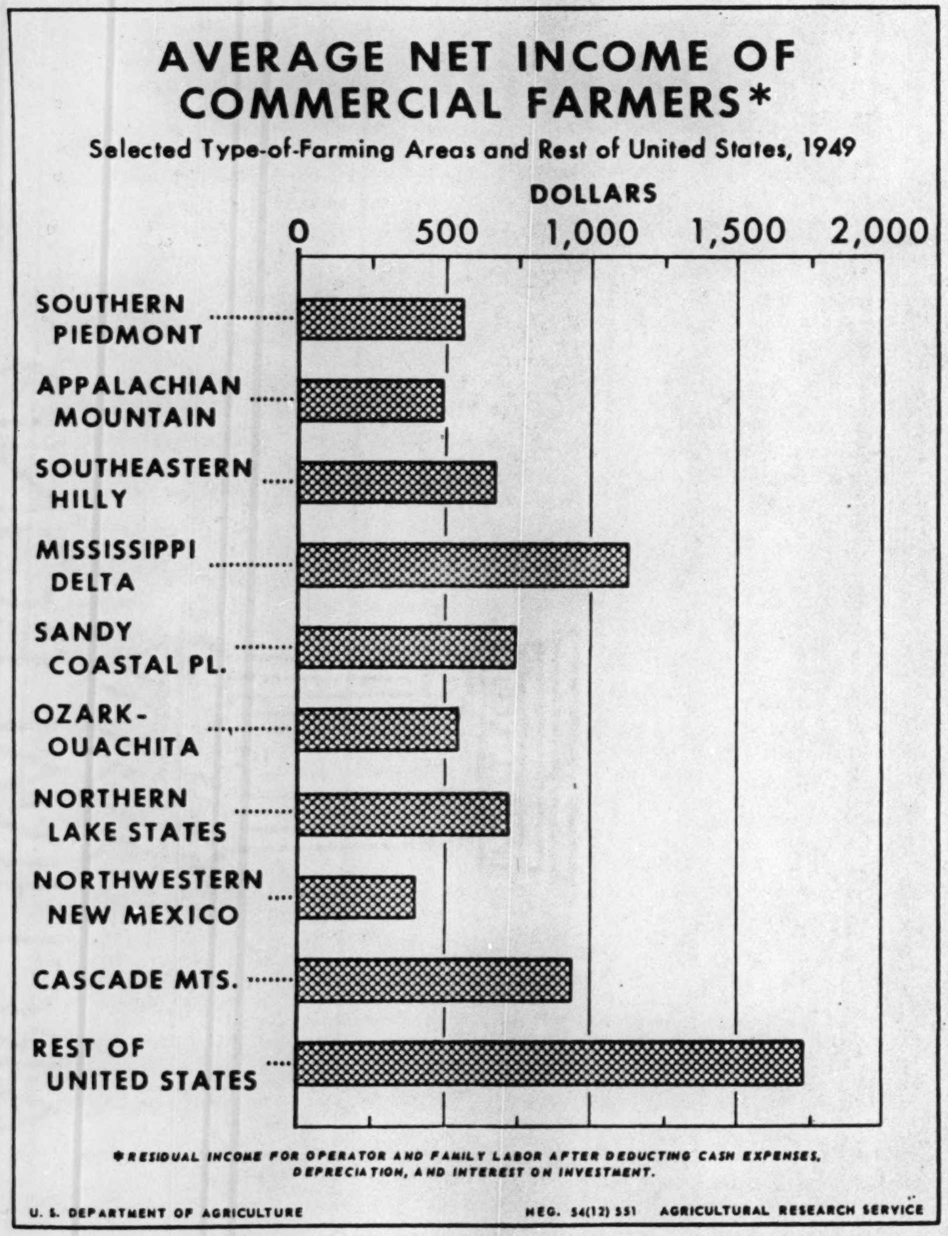

FIGURE 3.

TABLE 4—*Specified characteristics, generalized problem areas compared with the remainder of the United States, 1950*

Item	Generalized problem areas				Remainder of United States
	Total	Serious	Substantial	Moderate	
Rural farm population thousands	11, 037	5, 084	2, 740	3, 233	12, 011
Percent of United States total percent	48	22	12	14	52
Nonwhite farm population percent	24	26	34	13	6
Commercial farms [1] thousands	1, 402	543	399	459	2, 305
Percent of United States total percent	38	15	11	12	62
Farms with incomes between $250 and $2,500 percent	71	81	71	59	27
Average per commercial farm:					
Land in farms acres	138	155	118	135	359
Cropland harvested do	41	37	40	46	118
Value of land and buildings dollars	7, 762	6, 420	7, 026	9, 670	23, 708
Value of farm products sold dollars	2, 747	2, 111	2, 789	3, 461	7, 751
Percentage of commercial farms:					
Owners, part owners, and managers percent	63	63	53	72	73
All tenants do	37	37	46	28	27
Croppers do	16	14	25	10	2
Reporting a tractor do	34	25	30	49	74

[1] Commercial farms are those having sales of $1,200 or more and in addition, farms with sales of $250 to $1,199 with the operator working off-farm less than 100 days and having farm sales exceeding income from other sources.

The three major soil groups found in the problem areas are: (1) The Red and Yellow Podzolic soils which dominate the southeastern United States; (2) the Grey-Brown Podzolic soils of the Appalachian and Northeast; and (3) the alluvial soils along the Mississippi River. Technological advances have recently raised the agricultural potential of these soils, especially the Red and Yellow Podzolic soils.

The serious low-income areas, colored red on the map, merit separate mention. In these areas production, income, and level of living all fall below minimum standards. Except for the area in northwestern New Mexico, these areas lie entirely within the South and Border South. They encompass the old Cotton Belt, with the exception of the fertile Mississippi Delta and sections that have switched to tobacco or peanuts or which are near large industrial centers. They also encompass most of the Appalachian and Ozark Mountains and plateaus.

The "serious" areas are mainly rural. They have a total population of 13½ million but there is not a single city within them of as much as 150,000 people. Movement away from farms is heavy but families are large and the number of young people coming along is larger than can live well in the present area economy.

In the "serious" areas are 1,100,000 farms. (See table 5.) Nine-tenths of them had farm sales of less than $2,500. Half of these farmers were dependent largely on their farm income and were under 65 years of age.

The value of land and buildings is less than $5,000, on the average. In 1950 only a fourth of all farms in the "serious" areas had tractors. Many farms are too small to use such machinery effectively. Although there are some good soils, much of the land is hilly or eroded or of low fertility.

TABLE 5.—*Number of farms and percentage of specified types with less than $2,500 gross sales of farm products, generalized problem areas compared with the remainder of the United States, 1950*

Area	All farms	Farms with less than $2,500 gross sales		
		Total number	With operators of working age and primarily dependent upon farming	With operators over 65 or dependent on other income
	Thousands	*Thousands*	*Thousands*	*Thousands*
Generalized problem areas	2, 474	2, 059	983	1, 076
Serious	1, 105	999	488	511
Substantial	619	502	259	244
Moderate	750	557	236	321
Appalachian	719	610	250	360
Southern Piedmont and Coastal Plains	604	493	244	249
Southeastern Hilly	389	349	202	147
Mississippi Delta	210	161	110	51
Sandy Coastal Plains of Arkansas, Louisiana, and Texas	186	159	67	92
Ozark-Ouachita Mountains and border	185	158	70	88
Northern Lake States	103	72	29	43
Northwestern New Mexico	9	8	3	4
Cascade and Rocky Mountain areas	69	49	10	39
Remainder of the United States	2, 905	1, 228	381	847

GENERALIZED PROBLEM AREAS

Area 1—APPALACHIAN MOUNTAINS, VALLEYS, AND PLATEAUS

Largely mountainous country and broken plateaus. Good tillable land is scanty but the farm population is large. Until recent years large parts of the area have been rather isolated. Burley and dark tobacco farms are the most common commercial types, but the average tobacco allotment is very small. Livestock farms are a close second in number, followed by general farming.

Industrial jobs are spotted in the area but have been good in parts of the Tennessee and Ohio River Valleys. The decline of the coal industry, especially in the Cumberland Plateau, has seriously cut the off-farm income for many small farmers.

Migration of people out of this area has been heavy since 1940. However, farm families are large, with more children than could be absorbed in agriculture even if the size of total farm population remained steady.

Area 2—SOUTHERN PIEDMONT AND COASTAL PLAINS

This large area extends from central Virginia to southeastern Louisiana, with two divisions, the Piedmont and Coastal Plain. The Piedmont is rolling or hilly; most of its soils have been abused and are naturally low in plant nutrients but respond to soil and water conservation practices. The Coastal Plain is much more level. Its upper portions are similar in soil type to the Piedmont, but the lower portions are mostly poorly drained sand and muck soils.

Cotton and flue-cured tobacco are the major crops. Peanuts dominate in smaller sections. In the last 30 years tobacco production has expanded while cotton has shrunk. The farm population is nearly 40 percent nonwhite.

Major sections of the Piedmont have offered industrial employment, especially in textiles; but this has not been true of the Coastal Plain, except in the port areas.

Area 3—SOUTHEASTERN HILLY AREA

This represents largely the coastal plain west of the Appalachians and east of the Mississippi River. Topography ranges from prairie to low hills. Soil conditions are similar to those in interior portions of area 2. Cotton is the major source of cash income on three-fourths of the farms.

Average value of land and buildings was only $4,500 in 1950, lower than in any other area. About four-fifths of all commercial farms are in the low-production category. Off-farm work has been hardly worth noting until recent years. Forty percent of the farm population is nonwhite. Nearly half of the commercial farmers are tenants.

Area 4—MISSISSIPPI DELTA

Farm income in the flood plain of the Mississippi averages more than $1,000, highest of the problem areas. But levels of living are commonly low and more than half the farms are in the low-production category.

This area is different in that it is well endowed with fertile soil, not subject to erosion. The crops grown, cotton, rice, and sugar cane, are raised under plantation type of operation, 40 percent of the land being in multiple-unit operations. Seventy percent of all farmers are tenants, with 40 percent sharecroppers. Part-time and residential farming are much less important here than in other areas.

The pull of employment elsewhere plus the use of laborsaving machinery in cotton production have resulted in a steady decline in number of sharecropper families, and have changed the status of others. Average education of farm adults is only 5.5 years, lower than in any other area.

Area 5—SOUTHWESTERN SANDY COASTAL PLAIN

The soils of the westernmost part of the old Cotton Belt were long devoted to cotton and corn, but produce those crops poorly in comparison with other areas. Since 1930 much of the land has been taken out of cultivation and livestock has assumed major importance. The farm population has declined very rapidly. More than half of all farms in the area are now residential or part-time. Mechanization has been slow except in central Oklahoma.

Some of the land is being reforested and lumber products are important. Petroleum is also important. Other industries are largely lacking. Thirty percent of the farm population is nonwhite.

Area 6—OZARK-OUACHITA MOUNTAINS AND BORDER

This highlands area has many physical and population characteristics of the Appalachian country. Its cash crop has been cotton, however, instead of tobacco. Less than half the land is in farms and only a fraction of that is cropland. The great majority of farmers are owners.

Dairy, livestock, and poultry have become of increasing importance, especially in the northern portion, but nearly half the farms are residential or part-time and more than seven-tenths of the rest are small scale commercial. Migration away from the area has been heavy.

Area 7—NORTHERN LAKE STATES

This territory was settled mainly as a lumbering and mining area. With the gradual exhaustion of the timber after 1900, and with the decline of certain mining areas, farming developed. But the soils are shallow and infertile, the season is short, and distance to markets is a problem. About half the farms are low in production. Dairying is the most common type of farming. Through some abandonment of farming, rural zoning, resort development, and reforestation conditions have improved.

Area 8—NORTHWESTERN NEW MEXICO

This is a dry and mountainous country through which runs the Continental Divide. Most of the farms are in the upper Rio Grande Valley east of the divide and on the Indian reservations to the west. Only a third of the farms produce enough to be called commercial farms. Most of the rest are residential farms, but many of these are run by young and middle-aged men who have less than 100 days of off-farm work in a year. The land here is little different from other parts of the Southwest.

Most of the farm people, especially in the Rio Grande Valley, are poorly educated, farming small irrigated acreages for home use. The majority of them speak Spanish. The remainder are largely Indian, many of whom are illiterate and do not speak English. More than 90 percent own their own land. Families are large. Health conditions are poor.

Area 9—CASCADE AND NORTHERN ROCKY MOUNTAINS

This embraces most of the land west of the Cascade Mountains in Oregon and Washington, plus northernmost portions of the Rocky Mountains in Washington and Montana. Most of the land is in forest or has been cut over. Most of the low-income families are on poor soil and adverse terrain.

Nearly a fourth of these farmers are 65 years old, or older, a higher proportion than in any other area. Only a fourth are under 45 years of age, a very low proportion. Educational levels are good, higher than the national average. Nearly half the farms are part-time or residential.

Though farm income averages less than $1,000, fewer than half the commercial farms are low-production farms. Dairying is the principal enterprise in the Cascade areas, while cattle ranches are the most common type in the Rockies. In the western portion of the area, nonfarm population growth and industrial development have been heavy since 1940.

RESEARCH AND EXTENSION

In the past, research and extension activities have not reached many of these low-income people effectively (table 6). One reason has been lack of appeal to low-income farmers of the generalized type of services commonly provided. Another has been that solutions for this problem are peculiarly dependent upon an integrated attack

TABLE 6—*Percentage of farmers who had adopted certain recommended practices by value of gross sales, Washington County, Ky., 1950* [1]

Practice	Annual value of crops and products sold			
	Under $1,000	$1,000–$2,499	$2,500–$3,999	$4,000 or more
	Percent	*Percent*	*Percent*	*Percent*
Artificial breeding	3	7	21	33
Ladino clover	9	16	36	56
Kentucky 31 fescue	12	16	33	55
Calf vaccination	16	20	38	48
Bluestone-lime	35	56	78	76
Tobacco fertilization (1,000 pounds per acre or more)	55	58	75	76
Soil testing	9	14	35	48

[1] For each practice, the percentages are based on the number of farmers having the enterprise to which the practice applies.

Source: "Communication and the Adoption of Recommended Farm Practices," Ky. Agri. Expt. Sta., Progress Report 22, November 1954.

upon all the facets of the problem: that is, those aspects which are concerned with nonfarm employment, credit and financial management, industrial jobs, and vocational training.

Taken in conjunction with appropriate moves along the foregoing lines, it is believed that the recommendations to expand extension services, technical assistance, and research activities would help solve the low-income problem.

EXTENSION AND TECHNICAL ASSISTANCE—PRESENT SITUATION

Extension services and technical assistance in production, conservation, and home management are available in most low-income counties. These services have helped many individuals in these areas. Low-income people have, however, frequently made less use of these facilities than farmers who have more productive businesses, who are generally more receptive to new ideas, and whose incomes permit them to undertake additional investment or some measure of experimentation (table 7). For the most part, extension personnel are fully employed in meeting the requests of those who seek assistance.

The use of extension services by low-income farmers has grown in recent years. Several States have greatly improved their programs in many counties in these areas. Much attention and thought have been given to better approaches but workers and funds have been lacking for a broad, vigorous program of the type required to work effectively with these farmers. Further development and expansion of these extension programs is needed.

During the past year Federal funds for extension have been increased by about 20 percent. Most of this increase (85 percent) is being used in the counties to explore or expand farm and home planning activities. This has permitted new work in many of the low-income counties. But available local funds are not plentiful in many counties having numerous low-income farms and this has seriously limited the services available to these farmers.

TABLE 7.—*Percentage of farmers who reported use of selected channels of farming information, by value of gross sales, Washington County, Ky., 1950*

Channel of communication	Annual value of crops and products sold			
	Under $1,000 (N=77)[1]	$1,000–$2,499 (N=164)	$2,500–$3,999 (N=81)	$4,000 or more (N=64)
	Percent	*Percent*	*Percent*	*Percent*
Agricultural agency representatives	27	46	81	88
Farm meetings	9	26	46	64
Farm bulletins	20	36	65	78
Circular letters from county agent	56	70	93	92

[1] *N*=Number of farmers in each group.

Source: "Communication and the Adoption of Recommended Farm Practices," Ky. Agri. Expt. Sta., Progress Report 22, November 1954.

Soil and water conservation districts have been organized in all low-income areas. Data from the Soil Conservation Service indicate that for the country as a whole, the distribution of assistance by size of farms corresponds to farm size distributions reported by the census of 1950.

EXTENSION AND TECHNICAL ASSISTANCE—RECOMMENDATIONS

1. Special funds should be provided to set up during the next year or so pilot technical assistance and extension programs in a sufficient number of counties in each low-income area to cover the range of different conditions. Special attention should be given to needs of the young people. In these pilot organizations, consideration should be given to: Setting up county and community committees with a broad base of participation; assembling materials for analysis or planning through cooperative efforts by all agencies concerned; using farm and home management specialist teams to work with individual farmers; exploring methods of working with farm people of limited opportunities; and developing community programs and goals.

2. In the pilot programs additional qualified personnel should be employed for farm and home planning and on-site technical assistance. Personnel should also be able to introduce such changes in methods as may be needed to reach the people involved. Planning should include development of efficient marketing and buying channels.

3. Over the longer term, additional county and community development committees should be organized in all areas where there are significant numbers of low-income farms. These committees should include not only farmers but also representatives of public and private credit agencies, local businesses, employment services, conservation agencies, and extension, vocational, and other educational services. Such committees could help develop local action to increase farm and home efficiency and productivity.

4. In the appropriation of special Federal funds for extension activities to help solve problems of low-income farm people, it is recommended that the basis of allocation recognize: (a) The numbers of low-income farms, and (b) the aggregate income base of each State. A part of the funds might be set up so they could be allocated directly to the States for special projects.

5. It is suggested that the Department of Agriculture take the initiative in bringing about State and regional conferences of leaders in agricultural education, technical assistance, credit, and research. The purpose of such a conference would be to discuss the closely interrelated interests in these fields in the problems of improving the productivity and incomes of farms in the low-income areas.

SUGGESTED APPROACHES IN PILOT COUNTIES

County and community program development committees should be set up to consider the total problem of the area and what can be done about it. These activities would include evaluating alternatives in community development, considering farm enterprises to be encouraged, and setting up a program for special assistance to individual families in developing their own farms.

Any agricultural program in this field must be an integral part of the overall development program for the community or county. It should be an integrated approach. This will mean enlistment of services relating to nonfarm employment, vocational training and guidance, as well as technical services in agricultural conservation and development.

Based upon the preliminary work in a county a special program could be organized to work intensively with interested families who have opportunities to enlarge their farm incomes.

This kind of assistance is intended to help develop a well-balanced farm business, to help plan a wise use of income for living, and to help meet the problem of financing changes. Personal aid is required in helping families think through and work out plans in line with their own resources and values. Also required is an expansion of credit and technical services provided by State and Federal agricultural services and private enterprise.

Regular extension services should also be strengthened in these areas. In counties where additional personnel are being placed, it should be possible to work intensively on farm and home planning activities with at least 50 families a year individually, and perhaps more on a group basis. Advances made by families which have received special help will be noted and followed by other families.

To start with, some work might be done with families on specific problems which affect the farm as a whole. The procedure would be to budget particular changes which affect costs and returns, not only with respect to the specific item, but also as to effects on other parts of the farm business. What a family learns in this way about how to budget and make decisions can be applied to any problem that comes along.

Most of such work would be done with small groups of families who enroll for a series of meetings. This approach would encourage discussion among individuals on problems they have in common, and give opportunity for each family to work on a rather complete program for its own farm. Visits by the group could be made to some of the farms. Followup arrangements would help carry out their plans.

This individualized approach to farm planning is probably the most effective way to help those families who have major adjustments to make and who will need financial help to make them.

Extension and research also should give emphasis to assembly and dissemination of facts relating to the possibilities for increasing efficiency and incomes by low-income farmers working together to meet common problems. Small farmers frequently can cooperate advantageously in the use of equipment and other facilities including such things as farm machinery, electricity, credit, and other facilities. Fuller use of custom services can be helpful. Savings also frequently can be made by combining the sales in marketing farm products and combining purchasing power in securing farm supplies.

RESEARCH—SITUATION AND RECOMMENDATIONS

In recent years most agricultural research has been applied to technical problems of production and marketing. Only limited research effort has been directed toward: Fitting farm units to the changing economic environment; the processes of change in farming, farm population, and levels of living; or the efficient use and extension of credit, and changes in land tenure. These types of research are especially important in low-income areas.

In the period before World War II considerable research of this type was carried on. Often this research can serve as a valuable background in an expanded research effort of this type.

Research activities here suggested are directed toward providing information needed to carry out extension work and technical assistance with low-income families. Additional specialized studies are also needed; these are discussed in other sections of this report.

1. Studies should be undertaken, in addition to those already made, to establish the facts concerning the combinations of resources which will increase incomes and improve levels of family living. Such studies would comprise analysis of soils and related physical resources including the completion of soil surveys where these are not now available. The studies also should include analysis of capabilities and attitudes, of conditions in health and education, and of financial and tenure problems which affect low-income people.

The studies would emphasize the evaluation of farming systems, size of operation, and home management which would provide a satisfactory income and level of living to the farm family. They would include an evaluation of income prospects in part-time farming and off-farm employment as well as commercial farming.

One aspect of this work might be a number of pilot research farms. On such farms new practices and enterprises or combinations could be tested in the setting of a farm business as a whole.

All such research presupposes a high degree of teamwork between scientists in various fields affecting agriculture. The results would provide guides to credit agencies as well as to extension workers.

2. Studies should be undertaken in these areas on practices of lending agencies, including repayment terms; also on the amount of credit likely needed to upgrade farmers' earnings. Suggestions should be developed for guidance of private and government lenders.

3. Studies are needed to determine why farm families cooperate or fail to cooperate in improvement programs and to determine possible new ways and approaches for working with those who have been unreceptive in the past.

4. Studies should be undertaken of how the change to an efficient higher income agriculture will affect the area economy, and how it will affect the levels of living attained by the population. These lines of study would cover population changes, off-farm job prospects, and marketing problems.

5. Research should be undertaken to determine the leasing arrangements and provisions that would be most equitable under the altered farming systems. It should determine the extent to which prevalent leasing arrangements stand in the way of adjustments to higher incomes.

6. Research is needed on production and marketing, covering both the long- and short-term prospects for supply and demand, for the United States and local areas. These would help in determining the most practicable farming systems for the low-income areas.

AGRICULTURAL SERVICES FOR PART-TIME FARMERS

Part-time farming is growing in this country. Off-farm work is one means by which families with low incomes can add to their earnings. However, many families still have only a low income after whatever off-farm earnings they can get. Some consideration, therefore, should be given to services which can be supplied to part-time farms.

What is a part-time farm? The census has a definition. It is a farm with sales of from $250 to $1,199 in a year, with the operator working off the farm 100 days or more, or where the family income from off-farm work exceeds the value of farm sales. In 1949 the census reported 639,000 such part-time farms in the United States, of which 326,000 had cash family incomes of less than $2,000 (fig. 4). In the latter group there were 272,000 operators under 65 years of age. These farms averaged 16.2 acres of harvested crops and $612 worth of products sold per farm.

Residential farms, so-called, are a closely allied group. Such a farm is used primarily as a home and is only incidentally a farm business. The census defines such a farm as one having less than $250 of products sold in a year. Such farms showed an average of only 6.1 acres of cropland, and only $82 worth of products sold. There are some residential farmers, however, who may be interested in expanding their farm operations and who thus come more definitely within the scope of this study.

Many of the suggestions applying to low-income farmers generally also apply to part-time farmers. These involve especially: Properly adapted extension programs, better credit service, and needed research. In making these suggestions, it is recognized that some of them are already being carried out in some States. Several good local studies have been made. Some counties are doing an excellent job in providing extension service for part-time farmers. However, in some areas where the need is greatest there has been the least activity of this kind.

EXTENSION PROGRAMS FOR PART-TIME FARMERS

For some low-income families in this category information about the home and the production of food for the family may be sufficient. Others will need help in planning and managing their farm to make it more profitable. Many boys and girls in part-time farm families belong to 4-H Clubs and the wives to home demonstration clubs.

The following points need to be considered in extension work with part-time farms:

1. A clear understanding by all extension and technical assistance workers as to their potential clientele—the groups they should be working with in the counties. One such group would be the part-time farmers.

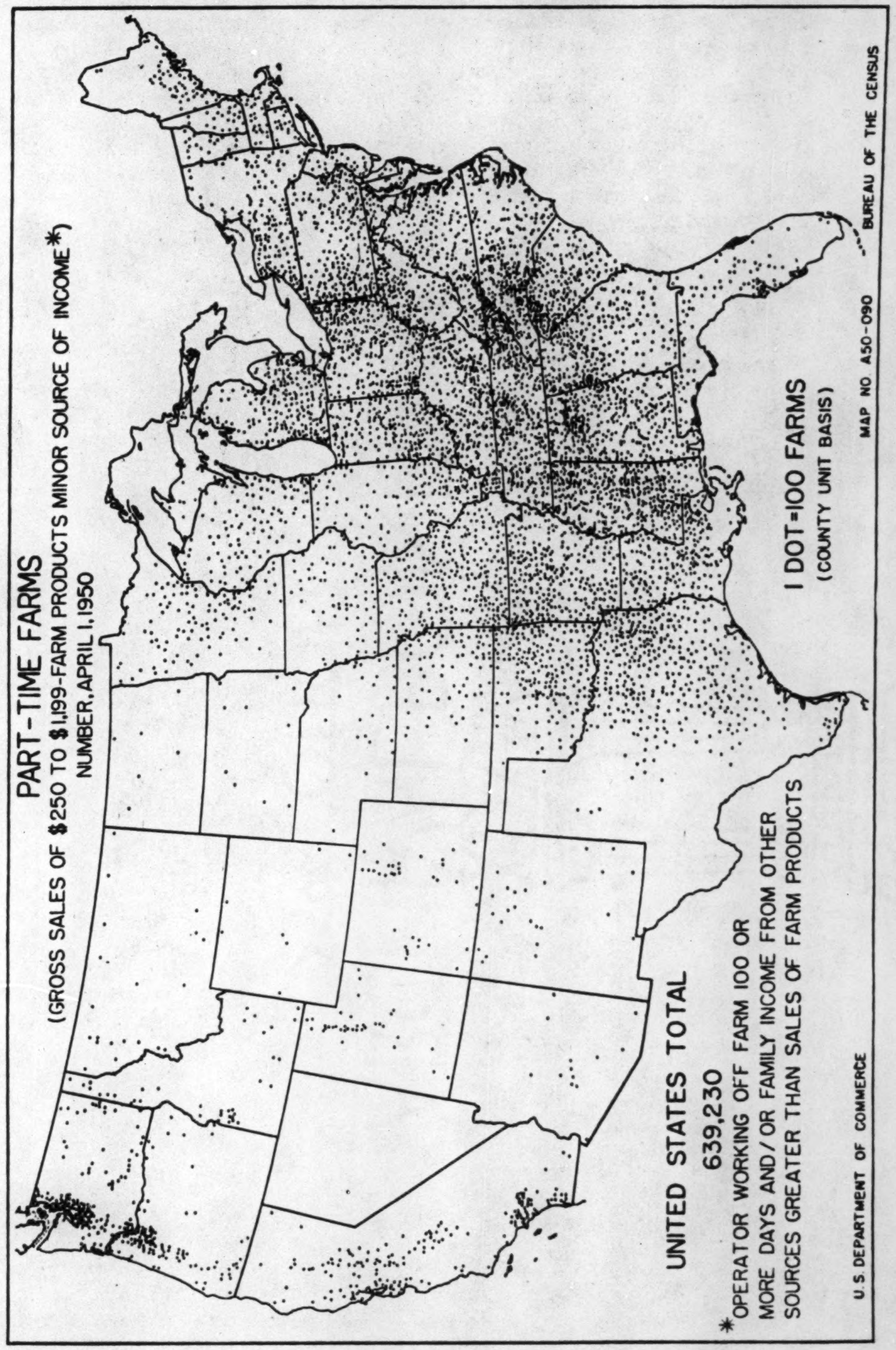
PART-TIME FARMS
(GROSS SALES OF $250 TO $1,199-FARM PRODUCTS MINOR SOURCE OF INCOME*)
NUMBER, APRIL 1, 1950
I DOT=100 FARMS
(COUNTY UNIT BASIS)
UNITED STATES TOTAL
639,230
*OPERATOR WORKING OFF FARM 100 OR MORE DAYS AND/OR FAMILY INCOME FROM OTHER SOURCES GREATER THAN SALES OF FARM PRODUCTS
U.S. DEPARTMENT OF COMMERCE
MAP NO A50-090
BUREAU OF THE CENSUS

FIGURE 4.

2. Inclusion of part-time farmers on the county extension advisory committees. This would aid in the planning of a county extension program which would better meet the needs of these people.

3. The extension problems should be well determined if the work with part-time farmers is to be effective.

4. Larger county and State staffs are needed to cover this work. This may call for retraining some members of present staffs, as well as the hiring of workers having a background, training, and experience somewhat different from that of many present extension workers.

CREDIT FOR PART-TIME FARMERS

The principal credit problems among part-time farmers appear to be in the field of long-term financing. The credit requirements are generally smaller for stock, tools, and supplies than for real estate. The former needs are met for the most part by banks, production credit associations, and some other lenders. To the extent that these sources fall short, special credit measures could be developed for part-time farmers similar to the proposals made in the Credit section herein.

Credit for housing and other real estate financing is less satisfactory. Some is available from insurance companies and from the Federal Land Banks. The Federal bank loans, however, are limited by the requirement holding appraisal within limits set by the normal income from the farm only. This leaves little opportunity to recognize the home value and repayment capacity from outside income, in making appraisal and loan. A proposed amendment to the Farm Loan Act is now pending in Congress (1955) which would make it possible to broaden the base on which loans are made on these farms; it would permit the appraisal to take account of the home value and of outside income. Adequate facilities do not now exist for Government credit to part-time low-income farmers. Legislation is needed for this purpose. Support of such legislation is recommended.

POSSIBILITIES FROM TIMBER

A considerable number of low-income and part-time farmers are located in marginal areas most suitable for growing trees as a crop. In such areas off-farm earnings from timber cutting can be increased by improved forest management.

To this end, attention should be given to: Extension work in forestry with owners and workers; improved forest credit; more adequate State regulatory laws; and public acquisition where effective management cannot be had under private ownership.

Opportunities for off-farm earnings in public forests can be increased by adjusting policy to encourage small sales, and by the construction of roads to make timber accessible for small-scale buyers.

PART-TIME FARMS—RESEARCH

Research is needed into these lines of information: Number and types of families and their geographic concentrations; their occupations, skills, and capabilities; prospective changes in off-farm work opportunities; the level and stability of incomes; industries adapted to using local labor and other resources; and the types of farm organization best suited to the working hours of part-time farmers.

Other questions to be answered by research are: Is part-time farming a step to full-time farming or to migration from the farm, or is it a fairly permanent way of life for those so engaged? Has the increase in part-time farming resulted largely from urban workers buying rural homes, or does it stem from families on small farms taking advantage of outside job opportunities? How do the credit requirements of part-time farmers differ from those of full-time farmers, and how adequate are present credit facilities in meeting the need? To what extent are laborsaving expenditures feasible when considered against the alternative of family work outside? What are the problems in land use, community organization, roads, and related facilities in urban fringe areas?

CREDIT AND FINANCIAL MANAGEMENT

Low incomes among farmers are in large part traceable to lack of resources. In many instances sufficient resources could be added to provide for efficient operations.

In the usual case capital must be supplied in the form of credit. To support such credit guidance should be given in management, and educational and technical assistance should be provided.

Despite the progress made by Government and private lenders in aiding low-income farmers, a more organized approach is needed. To this end the following recommendations are made.

1. A concerted effort should be made to encourage private and cooperative lenders to make more loans to enlarge, stock, equip, and develop farms of worthy operators.

An education program toward this end might include publications designed to point out the contribution that local banks and cooperative credit agencies can make. Publications should make clear the benefits to the community from such loans.

Such a program would include courses, demonstrations, and meetings for personnel of lending agencies and for farmers. These sessions would give the latest information on improved practices, on cost and returns of enterprises, and on correct use of credit in improving farming. Farmers and lenders could discuss problems at joint meetings.

Many country bankers have found it profitable to employ full-time agricultural representatives to handle farm credit work, plan farm management, and give guidance to borrowers. Use of additional agricultural specialists by banks and other credit agencies should be encouraged. Arrangements should be made whereby banks and cooperative lending agencies can utilize the farm planning assistance of the extension service. Extension agents, vocational teachers, and others should give attention to helping low-income families make sound use of their resources, including credit.

2. The supply of intermediate-term credit should be increased. Present supply is not adequate. A major need, especially on low-income farms, is to build up a dependable source of intermediate credit. Frequently such loans are not available. Usually when they are available, they are drawn for repayment at the end of the

year with the general understanding that the unpaid portion will be renewed.

Loans for equipment, livestock, or working capital cannot be repaid in a year. It takes time for the increased returns to be realized. In many instances such financing must be carefully done on the basis of well-considered farm plans. It is often impossible for these plans to provide for complete repayment in less than 5 to 7 years. Repayment schedules should be based on a careful appraisal of the debt-paying capacity of the business.

The Farm Credit Administration has recently made decisions which are a commendable step in remedying this situation. The production credit associations have been authorized to make loans for capital purposes with terms up to 3 years, on an experimental basis. The Federal intermediate-credit banks have been authorized to discount such notes. Three years is the maximum term now acceptable for discount under the law. This test will be watched with a great deal of interest. Similar steps by commercial banks and other lenders should be encouraged.

3. Government credit services should be strengthened as needed. Through the use of a carefully planned credit program, supported by guidance and technical aid, the situation for many low-income farmers can be improved. Additional risk will be involved if the program is large enough to reach a major portion of those farmers who have land enough but who lack working capital. The risk of loss is increased by low security ratios and by repayment requirements which leave little margin after expenses.

The experience of the Farmers Home Administration since 1946, however, indicates that the losses from this type of operation need not be high. Table 8 presents in summary these results. One way of reducing risks might be to restrict loans to 90 percent or a lower percentage of the appraised value. This would decrease risk from a decline in prices or an economic slump, but the number of families who could be assisted would be fewer.

The standards used by the Farmers Home Administration in determining the suitability of applicants have much merit. The farmers must have access to sufficient land, be of sound character, and possess reasonable farming skill.

THE FARMERS HOME ADMINISTRATION SERVICES

Sufficient funds from private lenders for insured long-term loans should become available to speed up the program for enlarging and developing farms. These funds should also be open for housing and building improvement loans to potentially efficient farmers. Also, through recent amendments, direct and insured loans for water facilities and soil conservation loans of intermediate length will be on hand throughout the Nation. If these programs develop as hoped, there should be no scarcity of these types of funds.

More loan funds will be required for production loans for the purchase of basic livestock, equipment, fertilizer, seed, and other such items. Help in financing such items will be needed by potentially efficient farmers in moving toward improved and stable operations.

NONFARM EMPLOYMENT INFORMATION AND MOBILITY OF FARM PEOPLE

For many decades more children have been born on farms than could be absorbed into agriculture. Fewer workers have been needed on farms in recent years and the problem of finding jobs elsewhere has become more acute for rural young people. A program to develop and utilize the human resources of agriculture more fully must anticipate a continuing large-scale movement of people away from the farms or into part-time nonfarm employment.

MIGRATION FROM FARMS

Migration resulted in a net transfer away from farms of 6 million persons in the 1920's, 3.5 million in the 1930's, and nearly 9 million in the 1940's. Since 1950, in spite of a high birth rate, migration has reduced the farm population from 25 million to less than 22 million. During the 1950–60 decade, at least one-fourth of the young men reaching working age on farms will be in excess of replacement of older men who die or retire. The map, figure 5, shows replacement rates by areas. In several of the low-income areas a third to a half of these young men will need to take up nonfarm occupations during the present decade even if there is no increase in the size of farms.

AREAS NOT WELL SUITED TO CULTIVATION

There are several areas where poor soil, rough topography, wind erosion, water erosion, or other natural handicaps make farming an almost hopeless struggle. Hired men in these regions have a hard time no less than do farm operators. In many cases the real solution would be to make it possible for families from these areas who wish to do so to relocate and let the land now farmed go back into forest, grazing, watershed protection, wildlife and recreation, or similar uses.

Rural zoning has proved helpful in this problem, particularly when coupled with tax incentives and State assistance to encourage forestry, public acquisition of farm holdings in sections zoned out of agriculture, and a program to assist the affected families to find better opportunity elsewhere.

Public and private acquisition of such lands has accomplished like objectives. Some of the lands have been bought up for State parks, forests, wildlife refuges, county or community forest reserves, municipal recreation and watershed protection, and national forests or national parks and publicly owned grazing lands.

PROGRAM OF THE EMPLOYMENT SERVICE

In these areas of low income and underemployment, helpful programs can be set up to facilitate migration. As a part of its regular program, the Bureau of Employment Security of the Department of Labor has a responsibility for aiding employment. It has no special program of information for farm people on job opportunities elsewhere, except for migratory farm laborers. The Bureau operates through 1,700 local offices in affiliated State employment agencies.

TABLE 8.—*Production and subsistence loan data, selected States, Farmers Home Administration, Nov. 1, 1946—June 30, 1954*

Item	Arkansas	Louisiana	Mississippi	Alabama	Georgia	South Carolina	Tennessee	Kentucky	West Virginia
Number of borrowers receiving loans:									
Farmers with Farm Security Administration loans__number__	3, 812	3, 321	5, 800	7, 479	6, 318	2, 084	2, 309	2, 165	427
New borrowers__do__	20, 825	21, 945	23, 635	20, 194	24, 903	45, 853	10, 355	12, 605	2, 617
Total__do__	24, 637	25, 266	29, 435	27, 673	31, 221	47, 937	12, 664	14, 770	3, 044
Status on June 30, 1954:									
Fully paid__do__	18, 636	19, 714	21, 039	21, 075	24, 562	38, 443	8, 883	10, 361	1, 753
Indebted:									
Supervised [1]__do__	4, 251	3, 574	5, 141	4, 253	3, 504	5, 238	2, 963	3, 936	1, 191
Serviced only for collection purposes__number__	1, 271	1, 263	2, 454	1, 936	2, 018	2, 554	633	331	75
Writeoffs and judgments__number__	479	715	801	409	1, 137	1, 702	185	142	25
*Total amount loaned*__dollars__	31, 129, 304	25, 267, 757	30, 569, 104	25, 186, 133	29, 892, 625	26, 814, 107	13, 083, 866	15, 052, 359	5, 283, 538
*Matured principal*__do__	22, 165, 735	18, 668, 238	21, 004, 273	18, 440, 525	21, 945, 235	21, 146, 271	9, 067, 161	9, 882, 923	2, 534, 092
Collections:									
Principal__do__	20, 552, 150	17, 901, 588	19, 480, 865	17, 310, 769	20, 335, 480	19, 798, 584	8, 595, 024	9, 200, 235	2, 455, 354
Interest__do__	1, 604, 093	1, 055, 923	1, 469, 890	1, 018, 185	1, 186, 440	884, 394	741, 829	931, 200	320, 690
Principal payments as percent of matured principal [2]__percent__	92. 7	95. 9	92. 7	93. 9	92. 7	93. 6	94. 8	93. 1	96. 9

Item	Arkansas	Louisiana	Mississippi	Alabama	Georgia	South Carolina	Tennessee	Kentucky	West Virginia
Progress of P & S adjustment borrowers paying loans in full and continuing to farm:									
Gross farm income:									
Year before receiving loan [3]__dollars__	2, 012	2, 903	2, 060	2, 041	2, 793	3, 123	1, 733	1, 805	1, 641
1952__do__	3, 125	4, 524	3, 050	2, 970	3, 661	3, 417	2, 588	3, 110	3, 216
Gross farm income less current operating expenses: [4]									
Year before receiving loan__dollars__	1, 126	1, 734	1, 240	1, 214	1, 731	2, 063	1, 194	1, 229	1, 041
1952__do__	1, 826	2, 885	1, 971	1, 766	2, 117	2, 179	1, 803	2, 190	2, 012
Net worth:									
At time of receiving loan__dollars__	4, 054	4, 599	3, 657	3, 791	4, 066	4, 209	4, 057	3, 596	4, 768
1952__do__	6, 248	6, 900	5, 791	5, 056	6, 039	5, 281	6, 778	6, 335	8, 752

[1] Includes a few borrowers with unsupervised annual production loans. [2] Some of the principal payments currently delinquent will eventually be paid. [3] The average years indebted: Arkansas 3.3, Louisiana 2.4, Mississippi 3.9, Alabama 2.4, Georgia 3.1, South Carolina 1.6, Tennessee 4.1, Kentucky 4.1, and West Virginia 6.0. [4] Current operating expenses exclude capital expenditures for machinery and buildings and interest payments.

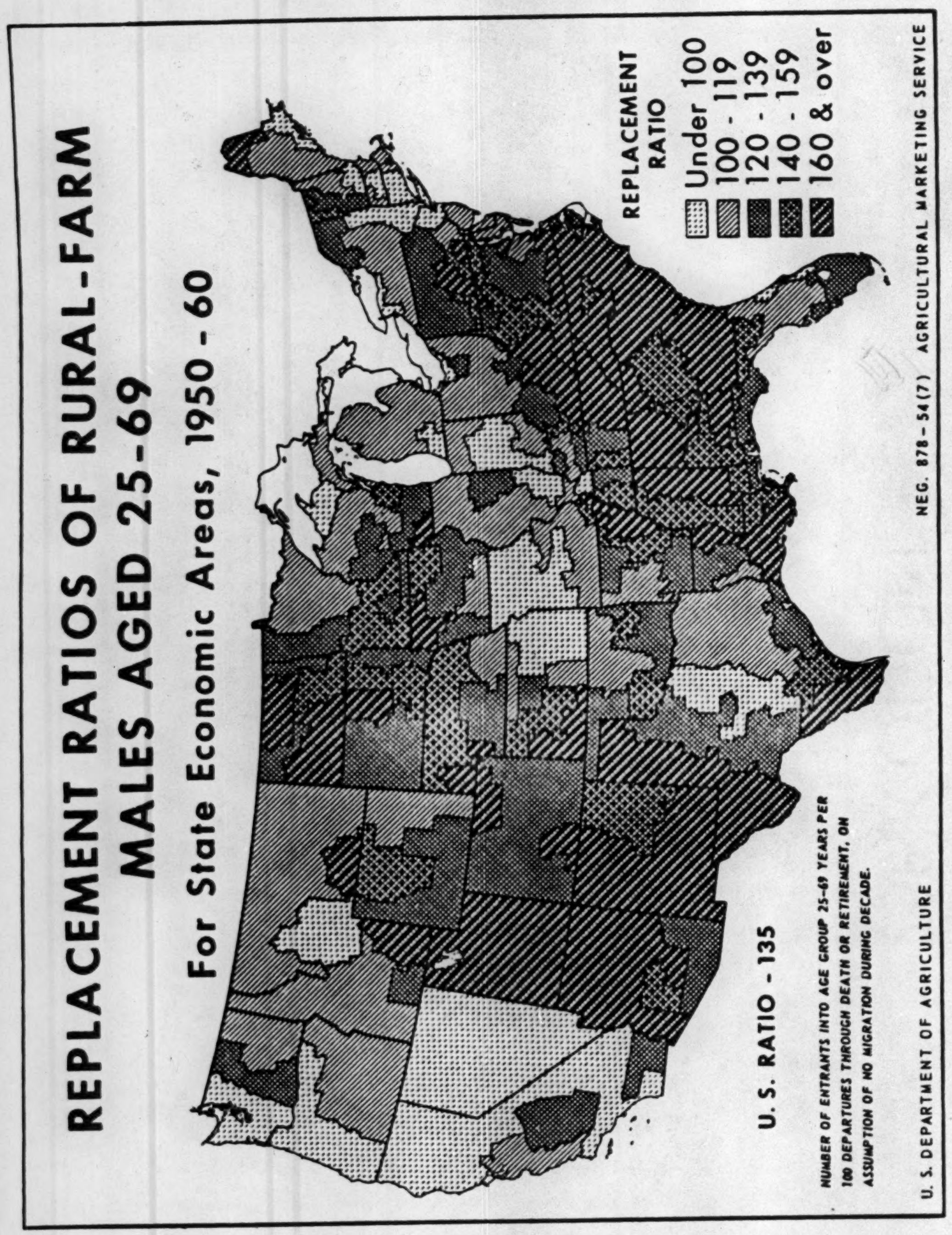
REPLACEMENT RATIOS OF RURAL-FARM
MALES AGED 25-69
For State Economic Areas, 1950 - 60
REPLACEMENT RATIO
Under 100
100 - 119
120 - 139
140 - 159
160 & over
U. S. RATIO - 135
NUMBER OF ENTRANTS INTO AGE GROUP 25-69 YEARS PER 100 DEPARTURES THROUGH DEATH OR RETIREMENT, ON ASSUMPTION OF NO MIGRATION DURING DECADE.
U. S. DEPARTMENT OF AGRICULTURE
NEG. 878-54(7) AGRICULTURAL MARKETING SERVICE

FIGURE 5.

Its methods have been adapted to many different labor market situations in the 21 years of its history.

Programs of the Bureau and those of the State agencies are tailored locally to fit varying situations. The Employment Service recruits and places workers through its local office by its knowledge of jobs and skills in the community. If job openings are not filled, they are "cleared" to other offices over a wider area.

Reports on job openings are published regularly in each State and circulated widely. Present reports cover 150 of the major industrial areas on a bimonthly basis. These reports offer information of potential service to those interested in outside work.

During World War II the Employment Service was instrumental in helping large numbers of rural people to find jobs in rural and urban industries. Where transportation costs and guarantee of jobs were offered, workers responded most favorably. Some of the problems which showed up were a division of responsibility between agencies, restrictive legislation, and some unreasonable contracts applying to seasonal farm workers.

RECOMMENDATIONS

When economic conditions are good, reliable information on job openings and industrial prospects can help rural workers who desire outside work. The Federal-State Employment Service supplies such information. What is needed is to gear its programs to the special needs of these rural areas. Services of this type have an important part to play in steadily improving opportunities in low-income areas. To that end the following suggestions are made:

1. Try to familiarize rural people with the facilities of the Employment Service. Farm workers are accustomed to finding jobs through relatives or friends. They do not fully realize the services available through the employment offices or how to use them.
2. Make employment information more available to the farm press, radio, and other media which provide job information to rural areas. Public service announcements in selected areas can be effective if they give specific job information.
3. Provide voluntary registration of rural workers available for outside employment so that information on jobs can be pinpointed to them.
4. Encourage State employment offices to study the needs of rural areas, with a view to extending present facilities to meet those needs, or to relocate employment offices if necessary to get the information where needed.
5. Set up standards to identify the areas where there is population pressure. Then conduct surveys to determine the characteristics of the rural population, skills of workers, availability for outside work, and problems to be overcome if the mobility of the group is to be achieved.
6. Match areas of rural underemployment with industrial areas in need of labor. Thereby it will be possible to assist those who wish to move to places of need in the same general region.
7. Extend the present classification of labor markets to small metropolitan areas and nonmetropolitan areas. Analyze additional

smaller cities to discover expanding industry in areas close to abundant rural manpower.

8. When areas of poor farming conditions have been identified and relocation of workers is desired, it is recommended that the Employment Service develop special programs to meet these needs.

9. Land zoning and public acquisition programs have been found useful in several States. Where lands are surely unsuited to successful farming, it is recommended that State and local agencies, in cooperation with the communities concerned, give serious attention to rural zoning, public acquisition, and related measures. The State agricultural experiment stations should continue to take leadership in making the necessary studies and indicating desirable lines of action. The Extension Service should take the leadership in working with the local people to design and carry out a program of action based on this research.

In programs so developed, attention should be given to ways and means to assist farm families to move to better locations; to help provide funds for desirable shifts in land use; and to encourage the best use of lands left idle. Public ownership of such lands for forests, parks, wildlife, recreation, and watershed protection should be considered. Great care should be used in disposing of such lands to avoid increasing the problem areas.

Agencies of the U. S. Department of Agriculture, particularly the Office of Information, Farmers Home Administration, Federal Extension Service, Agricultural Research Service, and Agricultural Marketing Service can contribute to these recommended activities through regular and special programs, and, where applicable, through their county and advisory groups.

INDUSTRIALIZATION IN LOW-INCOME FARM AREAS

Industrial development offers some opportunities in a number of rural areas which now lack the means of good income. This is especially true where labor is accompanied by local resources and adequate power at low cost. During the last 10 to 20 years industries have played a part in raising the level of earnings in certain low-income rural areas.

Industrial development for an area is often thought of as luring 1 or 2 big plants that will immediately make jobs for all. But the realistic development is more often a progressive growth which uses all resources in the area, including agriculture, forests, minerals, power, and improvement of labor skills through vocational training.

SUGGESTIONS AND RECOMMENDATIONS

1. State and local assistance in leadership and counseling for developing local industry should be expanded.

In the past industries came into some regions without benefit of much local effort. In others local action played quite a part. Sometimes the industry was given financial aid, sometimes publicity and promotion. Mississippi, for example, gave tax concessions to new industries to attract them to the State.

Local promotion involves many activities. Perhaps the biggest task is to appraise the local resources accurately, both physical and human. Judgment is also necessary on the kind of industry that will stand a good chance of success under the local conditions. Research is needed to answer questions along these lines.

For the task of mobilizing local interest and self-appraisal, the industrial development boards and local organizations will be important. The State land-grant colleges and services of the State departments of agriculture, commerce, and labor can help. In areas having rural electric power the Rural Electrification Administration can encourage and service new industries.

2. Appropriate agencies of Government should be enlisted to survey and report on the potential labor supply in rural areas. Federal policies on dispersal of industries, whether for security reasons or to use the Nation's manpower more efficiently, should consider this labor supply.

The labor supply in major urban areas is regularly reported and classified. No similar data exist for rural areas; such data might be developed, though admittedly this would be more difficult than in town. Such data would be of help in selecting plant sites.

Federal policy on dispersal of industry, as laid out by the Office of Defense Mobilization, provides for tax amortization as well as other incentives for a new defense plant in an area of labor surplus, if the area meets certain other requirements. At present rural areas can benefit only if they fall within a labor market area classified as one of substantial labor surplus. If the Department of Labor should classify rural areas, either on a regular or special basis, it would seem possible to extend the special tax amortization to defense plants in areas of rural underemployment.

3. Research should be designed to explore the opportunities for new industries in rural areas; provide technical information on industries suitable for rural location; and improve the efficiency of industries processing or distributing farm products. This research would be intended for those who help decide on industrial enterprises and their locations. The State land-grant colleges and the State and Federal departments of agriculture, commerce, and labor might all make important contributions to such research.

It may be asked what the possibilities are for reducing costs in farm processing plants by improving efficiency and using underemployed rural labor—thereby giving more employment to that labor. No general answer is possible. There has been some expansion of textile, metals, chemicals, and biological industries in the South and West where the labor supply was ample and good roads provided easy access to markets. But in general the food processing industries are located near farming areas. For any cost advantages to come from modern machinery the plant must have a constant supply of raw products, and the output must be marketed effectively. Hence, in many cases labor can be used effectively only if the volume of farm products is first increased.

The Department of Agriculture—perhaps in cooperation with other agencies—could give greater assistance to food processing industries in exploring the possibility of lowering costs.

4. Efforts should be undertaken to increase the use, processing, and productiveness of forests in the rural low-income areas. While the major problem areas tend to be those with poor land, they also have the largest amount of forest land and great opportunities for future industrialization in forest products.

The possibility for developing forest industries is substantial. The employment opportunities include harvesting the timber and the manufacture of lumber and basic timber products; furniture and finished lumber products; paper and allied products; chemical and associated products, including rayon from wood, wood distillation, and naval stores.

VOCATIONAL TRAINING

Vocational training and guidance represent part of the investment that our society makes in the education of its youth and adult citizens. Trained manpower is also fundamental to the strength and security of our Nation. By and large, rural communities have less adequate facilities for vocational training and guidance than do the urban communities. Needs in this field are not being adequately met for a large proportion of rural youths and adults. This lack has been chronic for many years among the low-income farm families. The education and training given to more than 7,800,000 veterans of World War II by the GI Bill provided training to hundreds of thousands of farm-reared veterans who otherwise would not have had such opportunities.

VOCATIONAL PROGRAMS

The Smith-Hughes Act (1917) and the George-Barden Act (1946) provide for Federal-State matching of funds and Federal-State cooperation in developing vocational-training programs. These programs cover agriculture, home economics, trades and industry, and distributive occupations (merchandising, retailing, wholesaling). Vocational guidance programs are also assisted. Table 9 shows how funds are allocated to the State boards of education on a matching basis.

EXPENDITURES FOR VOCATIONAL TRAINING AND GUIDANCE

The Smith-Hughes Act appropriates $7,138,330 annually for vocational education. The George-Barden Act authorizes the appropriation of an additional $29,267,080 a year also for vocational education. In 1953 expenditures for federally aided vocational guidance, as distinguished from other types of vocational education, totaled $1,417,990, of which $373,895 were Federal funds. In addition, there are other vocational-guidance programs financed solely from State and local funds.

Actual Federal, State, and local expenditures for vocational training in the United States, in 1953, totaled almost $146,000,000. The proportion of Federal funds averaged about 18 percent both for the country as a whole and for the low-income Southern States. Among these States the proportion varied from 13 to 30 percent (table 10).

Table 9.—*Basis for allocation of Federal funds for vocational training*

	Smith-Hughes Act (appropriations)			George-Barden Act (authorizations)			
	Vocational agriculture	Vocational home economics, trade and industry	Vocational teacher training	Vocational agriculture	Vocational home economics	Vocational trade and industry	Vocational distributive occupations
Annual sum (millions).	$3	$3	$1	$10	$8	$8	$2.5
Basis for allocation to States.	Ratio of State rural population to United States rural population.	Ratio of State urban population to United States urban population.	Ratio of State total population to United States total population.	Ratio of State farm population to United States farm population.	Ratio of State rural population to United States rural population.	Ratio of State nonfarm population to United States nonfarm population.	Ratio of State total population to United States total population.

For the United States as a whole, expenditures are roughly equal among vocational agriculture, home economics, and trades and industry. In the low-income Southern States the proportion spent on vocational agriculture and home economics is much greater than that spent on trades and industry (table 10).

The percentage of Federal funds expended for each of the four fields of vocational training is about the same for the total of the low-income Southern States, as for the United States. In general over the country, the percentage of Federal funds expended for agriculture and trades and industry is greater than the percentage expended for home economics and distributive occupations (table 11).

For the fiscal year 1955 a total of $30,811,591 in Federal funds has been allotted for vocational training in the United States. Of this, $11.7 million is for agriculture, about $9.5 million for trades and industry, about $7.5 million for home economics, $900 thousand for distributive occupations, and about $1 million for teacher training.

RECENT DEVELOPMENTS IN VOCATIONAL TRAINING

From a modest enrollment in 1918 of 164,000 in all types of vocational education, including part time and full time, by 1946 enrollment in the United States passed the 2 million mark. Total enrollment in 1953 was 3.1 million. Each of the major programs—agriculture, home economics, trades and industry, and distributive occupations—has seen a steady growth in enrollment and in funds. Training in the distributive occupations has a more recent history dating back only to about 1938. This program is limited by law to part-time and evening classes for persons engaged in those occupations.

In order to offer training in areas that otherwise could not be served, a few States are setting up area vocational schools; they also are putting such training into community colleges covering a wider territory than existing school districts. This procedure makes possible a greater diversity of training. The cost of boarding away from home may pose quite a problem to youths from low-income families.

Young farmer classes and farm mechanics programs help boys who stay on the farm. A specialist in farm mechanics from the U. S. Office of Education has conducted conferences and workshops for the improvement of instruction in farm mechanics in Alabama, Arkansas, Louisiana, Mississippi, and South Carolina. Special attention also has been given to the training of rural electrification workers. Some rural youths have been enrolled in apprenticeship programs. Training for practical nursing is being stressed.

The groups of courses offered in high schools are being improved and broadened. Workshops have been held to this end.

AVAILABILITY OF AND PARTICIPATION IN PROGRAMS

Concrete studies are needed on how available vocational training is in the low-income areas or on how many in these areas take such training. Available studies are usually college theses or reports evaluating a specific program in a specific area. They do not shed much light on the overall problem of increasing vocational training in low-income areas.

TABLE 10.—*Expenditures for vocational training for the United States and low-income Southern States, fiscal year ending June 30, 1953*

State	Total expenditures	Federal expenditures	Vocational agriculture	Vocational home economics	Vocational trades and industry	Vocational distributive occupations
	Thousand dollars	*Percent*	*Thousand dollars*	*Thousand dollars*	*Thousand dollars*	*Thousand dollars*
Total United States	145, 951	17. 4	47, 490	43, 114	50, 507	4, 839
Total low-income Southern States	39, 864	18. 5	18, 076	13, 829	6, 856	1, 104
Alabama	3, 101	21. 6	1, 327	944	743	88
Arkansas	2, 705	18. 2	1, 290	1, 056	290	68
Georgia	5, 052	14. 3	2, 319	2, 002	589	142
Kentucky	2, 190	31. 1	1, 029	729	384	48
Louisiana	3, 748	13. 1	1, 698	1, 420	524	107
Mississippi	2, 900	21. 2	1, 436	1, 013	396	55
Missouri	3, 145	22. 1	1, 147	1, 022	819	157
North Carolina	5, 278	18. 2	2, 726	1, 867	564	121
Oklahoma	3, 612	12. 2	1, 840	1, 003	653	117
South Carolina	2, 895	17. 0	1, 323	991	505	75
Tennessee	3, 536	20. 2	1, 411	1, 273	769	83
West Virginia	1, 702	24. 3	530	509	620	43

Source: *Digest of Annual Reports of State Boards for Vocational Education to the Office of Education, Division of Vocational Education*, U. S. Dept. of Health, Education, and Welfare, June 30, 1953.

TABLE 11.—*Percentage of Federal to total Federal, State, and local expenditures by type of vocational training for the United States and low-income Southern States, fiscal year ending June 30, 1953*

State	Vocational agriculture	Vocational home economics	Vocational trade and industry	Vocational distributive occupations
	Percent	*Percent*	*Percent*	*Percent*
Total United States	21. 3	14. 6	17. 0	8. 5
Total low-income Southern States	21. 6	14. 0	21. 0	9. 4
Alabama	27. 2	18. 6	16. 9	9. 9
Arkansas	22. 6	12. 1	21. 9	12. 6
Georgia	16. 0	9. 6	25. 0	6. 1
Kentucky	36. 1	25. 2	30. 6	18. 0
Louisiana	13. 3	8. 4	26. 2	8. 1
Mississippi	26. 9	15. 1	16. 6	15. 7
Missouri	28. 5	16. 2	23. 7	5. 5
North Carolina	19. 3	14. 1	28. 4	7. 2
Oklahoma	11. 6	10. 7	16. 7	7. 4
South Carolina	20. 2	13. 2	17. 0	11. 5
Tennessee	27. 1	14. 2	18. 7	10. 4
West Virginia	35. 0	25. 3	14. 8	20. 1

Source: See table 10.

In low-income Southern States, the opportunity for vocational training is limited. Despite the preponderance of farming, not as high a proportion of boys of high school age are enrolled in the vocational classes as for the whole country (table 12).

Many of the educational studies assume that vocational training for full-time agricultural occupations should be expanded. Too little thought has been given to the limited chances of employment in agriculture. Little attempt has been made to prepare farm youths for nonfarm occupations. Little attention is given to bringing into their vocational training the skills which are essential to nonfarm work and part-time farming. As early as 1941 reports of the State agricultural planning committees to the U. S. Department of Agriculture called for area vocational schools to provide nonagricultural training in rural service trades and occupations for the increasing proportion of youth who would enter nonfarm occupations.

TABLE 12.—*Enrollment of farm youths in vocational agriculture classes for the United States and low-income Southern States, 1950* [1]

	Male farm population, age 14–17	Enrollment in all-day vocational agriculture classes	
	Thousands	Thousands	Percent of male farm population, age 14–17
Total United States	998	405	41
Total low-income Southern States	487	171	35
Alabama	49	13	27
Arkansas	37	16	42
Georgia	48	17	36
Kentucky	46	11	24
Louisiana	27	12	45
Mississippi	51	13	26
Missouri	35	11	31
North Carolina	67	27	39
Oklahoma	26	13	50
South Carolina	35	11	32
Tennessee	46	22	48
West Virginia	20	5	26

[1] Data on youths 14–17 living on farms from the 1950 Census of Population and data on enrollment in vocational agriculture from Office of Education, HEW. Figures on enrollment relate to the fiscal year ending June 30, 1951.

Recent followup studies in a number of communities show that the majority of students who take vocational agriculture do not become farmers. These studies show that one-half to three-quarters of these students take up occupations other than agriculture. It may be questioned whether the high percentage of boys enrolled in vocational agricultural classes is realistic in view of the limited opportunities for full-time farming. It may also be noted that in the low-income Southern States this percentage is lower than in the country as a whole. (See table 12.)

In one of the more comprehensive followup studies (Nicholas T. Theodorou: "A Study of Former Students of Vocational Agriculture in The Watkins Glen Area," Cornell Univ. Agri. Expt. Sta. Bul. 848, Nov. 1948), it was found that in a New York area 93 percent of these former students who went into farming had opportunities on their own family farms, in contrast to only 51 percent of those who went into nonfarm work. Of those in nonfarm occupations, 62 percent felt that the vocational training in agriculture had not helped them in their present jobs. The remainder reported only slight help. About three-fourths of these both in farm and nonfarm occupations said they would like more training in their present lines of work. They expressed a need for more training in mechanics and shop, accounting, industrial education, and trades.

The New York study recommended more balanced general education and guidance programs with emphasis upon the qualifications necessary for farming; an increase in work experience; supervised programs, and individualized instruction. Area vocational schools were also suggested.

The various followup studies of occupations indicate a need for (1) training in skills and concepts which can be used in a wide variety of jobs in the area, (2) occupational orientation courses, (3) out-of-school vocational classes, and (4) in-service training classes.

RECOMMENDATIONS

A concerted effort is needed to develop more effective training and guidance programs for rural youth. Local, State, and Federal governments should work with public leaders in education, business, industry, labor, and farming to this end. Efforts should be directed especially toward the low-income areas.

1. The U. S. Department of Agriculture in cooperation with other State and Federal agencies should undertake research studies in low-income rural areas. These studies should be designed to obtain information about the opportunities for youth in nonfarm occupations; to find out the extent to which vocational training is available to youths and young adults in low-income farm families; and to learn how much training farm boys are getting in nonfarm fields in the schools of these low-income areas. The studies should also assess the resources available to meet those needs.

Such facts would give a basis for the planning of needed action.

2. The Department of Health, Education, and Welfare, in cooperation with the Department of Agriculture and other State and Federal agencies should endeavor to establish several experimental and demonstration vocational training programs in typical low-income areas.

These demonstration centers would aim to develop techniques for counseling and guidance, testing for aptitude, and special lines of instruction adapted to the background and orientation of rural boys. Along with this would go programs of on-the-job and apprenticeship training, as well as followup studies to help size up and improve the programs. Such programs should be expanded as experience justifies.

3. The State colleges of agriculture and the Department of Agriculture should encourage farm leaders to participate in the State conferences on education such as are now (1955) being developed in connection with the White House Conference on Education. The objective would be to have the conferences consider vocational training needs of farm people for farm and nonfarm occupations.

Where there are many low-income families, the State conferences should discuss and recommend the steps necessary to improve vocational programs, including financing.

4. Strengthened vocational guidance services are needed in the counseling programs administered by the State educational agencies and the State employment services to serve the needs of youth in low-income farm families.

5. In view of the fact that for many years about half the farm youths have been leaving farms, public schools serving rural people need to emphasize training and counseling in skills which are in demand in nonfarm occupations.

6. Efforts should be made to get more young part-time farmers and small farmers to take part in vocational training or retraining programs. Training facilities should be expanded and strengthened. Training in skills, together with more information about outside jobs, would tend to increase employment of underemployed farm operators. Pilot programs in several areas should be set up to develop experience for training and retraining of adults.

7. An interdepartmental work group should be set up to study specific steps to meet educational needs in low-income farm areas. Possible improvements in the bases for allocating additional Federal grants in aid to vocational training should be considered so as better to meet these needs.

8. Progress in training and guidance programs should be accompanied by continuing efforts to improve basic educational programs and facilities of primary and secondary schools serving rural children and youth. Better school buildings and equipment, better rounded programs of study, and better quality of teaching are urgently needed in low-income areas.

The President's message to the Congress of February 8, 1955, recommended immediate action to help overcome school classroom shortages.

HEALTH

In rural low-income areas health services are generally inadequate, and the practices of low-income families lead to poor health conditions.

Much greater emphasis should be given to health education in these areas. Particular attention is needed with respect to (*a*) family health practices and (*b*) community solving of health problems. Existing extension and other programs directed toward the rural family should place more stress on health. These education programs should be designed to reach and serve low-income families more effectively. County or other local public health units should be more widespread; development of existing units is needed. Multicounty units are proving practical in sparsely settled areas. Recruitment of medical personnel, especially nurses, should be encouraged.

Development and use of voluntary health insurance to help families meet the costs of medical care and hospitalization also should be encouraged. Opportunities for group enrollment of farmers, other self-employed, and farm workers would help bring about greater coverage.

The establishment of a continuing basis for cooperation between agricultural agencies and health agencies at all levels is important if these agencies are to work most productively to promote the health of rural people.

THE AMENDED SOCIAL SECURITY ACT

The recent extension of social security legislation should strengthen the economic security of millions of farm families generally and have special significance for low-income farm families. There has been a growing awareness over the years of the need for social security for farm people. In 1950 the Social Security Act was successfully applied to nonfarm self-employed persons and to regular hired farm workers. More recently the program was extended to self-employed farm operators and to the bulk of the hired farm working force. Surveys made by the various land-grant colleges and the U. S. Department of Agriculture have disclosed that many farmers had not accumulated adequate resources for retirement and that a majority of them favored extension of social security to farm people.[2]

Beginning January 1, 1955, all farm operators who earn $400 or more a year net income from their farming operations will be covered by the Old-Age and Survivors insurance program. Coverage has also been extended to hired farm workers who earn $100 or more cash pay from any 1 farmer during 1 calendar year. The Social Security Administration estimates that about 3½ million farmers will come under these provisions, as well as about 2 million hired farm workers, in addition to the 700,000 hired hands to whom the law was previously applied.

As of January 1, 1955, farmers began to build up retirement credits and survivors insurance by paying a social security tax. This tax will be paid beginning in 1956, on 1955 incomes. Farm operators will pay a 3 percent tax on the first $4,200 of their net income.

In return a farmer upon reaching the age of 65 will become entitled to a retirement benefit which will range from $30 to $108.50 a month, according to the amount of income upon which he has paid the social security tax (table 13). The farmer's wife, upon reaching age 65, also becomes entitled to a monthly benefit, so that for the farmer and his wife together the monthly benefit may be anywhere from $45 up to $162.80.

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[2] *Old Age and Retirement in Rural Connecticut*, Storrs Agricultural Experiment Station (in cooperation with BAE, U. S. Dept. of Agriculture) Bulletin 299, June 1953; *Farmers Conceptions and Plans for Economic Security in Old Age*, Wisconsin Agricultural Experiment Station (in cooperation with BAE, U. S. Dept. of Agriculture) Research Bulletin 182, September 1953; *The Farmer Looks at His Economic Security*, Texas Agricultural Experiment Station (in cooperation with U. S. Dept. of Agriculture) Bulletin 774, January 1954; *Attitudes of Farm Operators in Harrison County, Kentucky Toward Old-Age and Survivors Insurance Program*, Kentucky Agricultural Experiment Station (in cooperation with AMS, U. S. Dept. of Agriculture) Preliminary Report, June 1954. *Problems of Economic Security for Farmers in Reference to Social Security*, Maryland Agricultural Experiment Station, Miscellaneous Publication No. 169, June 1953. *Maryland Farmers Look at Social Security*, Maryland Agricultural Experiment Station, Bulletin No. 446, January 1954. *Old Age Plans and Programs of Farmers:* Tompkins County, New York, New York Agricultural Experiment Station, Bulletin A. E. 698, April 1949.

There are also survivors' benefits for a widow and children under 18 years of age.

Farmers who are now close to 65 years of age or over 65 can become insured under this program within 2 years and then be entitled to its benefits.

A few illustrations may help to make clear what these benefits are.

Suppose Farmer Brown is 50 years old, his wife is the same age, and he averages a net income of only $1,200 a year. His yearly contribution will be 3 percent or $36, which is to be paid at the time he pays his income tax for the preceding year.

Mr. Brown will be covered, beginning January 1, 1955, though he will not pay his first tax until early in 1956. If he keeps earning about the same income and retires after 15 years, when he and his wife have reached 65 years of age (assuming they have no children under 18), they will receive $82.50 a month as long as both live, and the survivor will receive a reduced amount for the rest of his or her life.

But suppose Farmer Brown dies in 1958 after paying social security tax for only 3 years ($108), leaving Widow Brown and 2 small children. As long as the children are under 18 years of age Mrs. Brown will receive each month a social security check for $82.60.

For farmers who are near retirement age, the program is especially attractive. If Mr. Smith is 63 years old, his wife the same age, and he has the same farm income as Mr. Brown, he can retire after paying the tax for only 2 years.

TABLE 13.—*Social security benefits payable to those qualifying after August 1954*

Average monthly earnings	Retirement benefits		Payments to survivors		
	Worker's monthly benefit	Worker and wife	Widow, child, etc.	Widow and 1 child	Widow and 2 children
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*
$45	30.00	45.00	30.00	45.00	50.20
$100	55.00	82.50	41.30	82.60	82.60
$150	68.50	102.80	51.40	102.80	120.00
$200	78.50	117.80	58.90	117.80	157.10
$250	88.50	132.80	66.40	132.80	177.20
$300	98.50	147.80	73.90	147.80	197.10
$350	108.50	162.80	81.40	162.80	200.00

Because of this special provision for those nearing retirement age to become covered in a shorter than normal period, the benefits of this new coverage will be felt in rural communities within a few years. The financial burden of the Old Age Assistance program, which has been much heavier in rural than in urban areas, will be lightened as farmers and hired workers retire on insurance rather than on public assistance—which is financed in part by the State or locality. Persons under age 72 can earn as much as $1,200 in a year and still receive all the social security benefits to which they are entitled. After age 72, a beneficiary can draw all his benefits no matter what amount he earns. There is a special provision to lighten the task of bookkeeping for small farmers. If the farmer's gross sales are not over $1,800 in a year, he may simply estimate his net income as one-half the value of his sales, without itemizing expenses.

For larger-scale farmers there is a special provision which enables them to retain coverage for a year in which expenses were unduly high—or sales were unduly low because of crop failure or other reasons. If a farmer fails to show a net income of as much as $900 under such circumstances, he may report and pay tax on $900, provided his gross sales were more than $1,800.

Farmers, as well as others concerned, will pay social security tax on only the first $4,200 of the year's net income. Earnings above that are not taxed for social security purposes.

While the amended Social Security Act will bring under its coverage many low-income farm families, many other such families will not qualify. Farmers whose net income from the farm is under $400, do not qualify for coverage.

In 1949 this lower limit would have eliminated between 40 and 50 percent of the farm operators in the South, their net farm incomes being under $400. Some portion of these, however, may get coverage by reason of their employment in farm or other occupations covered by the law. Others may be able to raise their farm incomes above the $400 mark and so get coverage. Data are lacking to estimate these various categories; studies should be made to obtain such information.

RECOMMENDATIONS

1. The recent extension of Old Age and Survivors Insurance to farmers and hired farm workers should be explained through an educational program to farm people in the low-income areas. This will involve information and studies of conditions facing farmers in those areas.

The Old Age and Survivors Insurance Program is something new to most farm people; they will look to extension services for information about its requirements and benefits. This is especially true of older persons who will want to retire fairly soon. Many low-income families are probably uncertain whether they are eligible under the law. Participation undoubtedly can be broadened if full information on eligibility requirements reaches farm families in these areas.

2. Research studies should be planned by agencies of the Department of Agriculture which are concerned with rural levels of living and related fields, to gage the developing effects and impact of the social security program on rural life.

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APPENDIX TABLES

Appendix table 1.—*Specified characteristics of commercial farms, generalized problem areas compared with the remainder of the United States, 1950*

Area	Commercial farms[1]		Percentage of commercial farms				
	Number	Percent of United States total	Small farms[2]	Owners, part-owners and managers	All tenants	Croppers	Reporting a tractor
	Thousands	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Generalized areas	1, 401. 7	37. 8	70. 6	63. 4	36. 6	16. 0	34. 0
Appalachian Mountains and border	346. 9	9. 4	68. 6	82. 2	17. 8	5. 6	39. 7
Southern Piedmont and Coastal Plains	364. 9	9. 8	69. 7	54. 2	45. 8	21. 9	27. 1
Southeastern Hilly	237. 5	6. 4	83. 2	51. 0	49. 0	20. 0	23. 2
Mississippi Delta	166. 0	4. 5	70. 7	30. 1	69. 9	41. 7	26. 7
Southwestern Sandy Coastal Plains	90. 5	2. 4	70. 7	66. 8	33. 2	6. 7	35. 6
Ozark-Ouachita	94. 5	2. 5	71. 4	84. 1	15. 9	1. 7	33. 7
Northern Lake	68. 2	1. 8	53. 8	94. 3	5. 7	------	76. 3
Northwestern New Mexico	3. 1	------	61. 3	90. 8	9. 2	------	46. 0
Cascade and Rocky Mountains	30. 1	. 8	42. 6	93. 3	6. 7	------	70. 7
Remainder of the United States	2, 304. 7	62. 2	27. 3	72. 6	27. 4	2. 4	74. 1

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[1] Commercial farms are those having sales of $1,200 or more and, in addition, farms with sales of $250 to $1,199 with the operator working off-farm less than 100 days and having farm sales exceeding income from other sources.

[2] Farms having gross sales of $1,200 to $2,499 plus farms having gross sales of $250 to $1,199 provided that the operators of this latter group worked off-farms less than 100 days and provided also that the income to the operator and his family from off-farm work was less than the value of all farm products sold.

Appendix table 2.—*Specified characteristics, averages for commercial farms, generalized problem areas compared with the remainder of the United States, 1950*

Area	Average per commercial farm			
	Land in farms	Cropland harvested	Value of land and buildings	Value of farm products sold
	Acres	*Acres*	*Dollars*	*Dollars*
Generalized areas	138. 0	40. 5	7, 662	2, 747
Appalachian Mountains and border	131. 5	40. 4	8, 691	2, 752
Southern Piedmont and Coastal Plains	126. 1	38. 6	6, 593	2, 613
Southeastern Hilly	108. 8	33. 8	5, 512	1, 912
Mississippi Delta	89. 4	45. 8	7, 841	3, 427
Southwestern Sandy Coastal Plains	220. 5	44. 6	8, 393	2, 775
Ozark-Ouachita	186. 0	40. 9	6, 941	2, 617
Northern Lake	156. 5	54. 7	9, 328	3, 429
Northwestern New Mexico	2, 334. 1	48. 2	23, 589	5, 238
Cascade and Rocky Mountains	194. 1	39. 8	19, 431	5, 652
Remainder of the United States	359. 2	117. 7	23, 798	7, 751

APPENDIX TABLE 3.—*Specified population characteristics of generalized problem areas, compared with the remainder of the United States, 1950*

Area	Rural-farm population		Percent distribution of rural-farm population 25 years old and over by years of school completed			
	Number[1]	Percent Non-white	Total	Less than 8 years	Completed 8 years but not high school	Completed high school or more
	Thousands	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Generalized areas	10, 979	24. 2	100. 0	55. 1	33. 3	11. 6
Appalachian Mountains and Border	3, 313	2. 5	100. 0	49. 4	37. 9	12. 7
Southern Piedmont and Coastal Plains	2, 832	39. 4	100. 0	65. 9	24. 8	9. 3
Southeastern Hilly	1, 694	40. 1	100. 0	58. 7	31. 0	10. 3
Mississippi Delta	1, 009	49. 7	100. 0	73. 4	20. 1	6. 5
Southwestern Sandy Coastal Plains	734	29. 9	100. 0	53. 1	35. 6	11. 3
Ozark-Ouachita	718	4. 7	100. 0	41. 7	45. 0	13. 3
Northern Lake	438	. 9	100. 0	31. 5	50. 1	18. 4
Northwestern New Mexico	51	33. 3	100. 0	60. 5	24. 1	15. 4
Cascade and Rocky Mountains	190	1. 8	100. 0	20. 3	48. 5	31. 2
Remainder of the United States	12, 011	5. 8	100. 0	27. 4	46. 2	26. 4

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MINUTES OF CABINET MEETING

April 29, 1955
10:00 A. M. - 12:15 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey and
Under Sec. Folsom
Sec. Wilson
Mr. Brownell
Deputy PMG Charles Hook
(for Mr. Summerfield)
Under Sec. Clarence Davis
(for Sec. McKay)
Sec. Benson
Under Sec. Walter Williams
(for Sec. Weeks)
Sec. Mitchell
Sec. Hobby

Director Hughes
Deputy Director Fitzgerald
(for Gov. Stassen)
Dr. Flemming
Chairman Young

Dr. Chester Keefer, HEW (in part)
Dr. Leonard Scheele, HEW
(in part)
Director Streibert, USIA
(in part)

Gen. Persons
Mr. Harlow
Mr. Morgan
Mr. Martin
Mr. Rockefeller
Mr. Anderson
Mr. Shanley
Col. Goodpaster
Mr. Murray Snyder
Dr. Hauge
Mr. Rabb
Mr. Patterson

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MR 76-127, Document Number 4
By JW Date 4-12-79

The Salk Vaccine (CI - 24) - Mrs. Hobby opened by explaining why last Friday's meeting in HEW was closed to the press. The reasons were two: (1) We simply could not ask drug companies to discuss their trade secrets and distribution plans publicly; (2) there would be anti-trust aspects to a public discussion. She said that the meeting was a complete success.

Dr. Keefer, the President's Special Advisor on matters associated with the distribution of the Salk vaccine, then gave the highlights of CI-24. The group which met on April 22nd had recommended that distribution be on a voluntary basis, and that priorities be by age group, the first being children 5 to 9 and the second being children 1 to 5. It had also recommended that distributions be started earlier in the South where, along with temperature, the incidence of the disease rises first. He emphasized that it is expected that if the distribution program goes smoothly, all children between 1 and 9 will have received the vaccine by August 1st. The President queried how much it would cost to provide the vaccine for children who could not afford it (other than those to whom it was now being donated through the NFIP). He was told it would be $4.20 for three CC's -- enough for three shots. The President inquired again whether there was an estimate for the overall nation-wide cost of a program for indigent children. Mrs. Hobby pointed out that

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five states had already enacted laws to provide these funds and thirteen more were doing so. She said HEW was now considering alternative proposals for financing shots for poor children. She said that rather than announce a program of matching grants now, she wants to see how many of the states will provide this themselves, and the Government's program should probably be limited to assisting those states who cannot do this. The President emphasized that the Government must ensure that, if necessary, Federal funds will be forthcoming to cover the cost of the vaccine for children who cannot afford it. No child must be denied the vaccine for financial reasons. He said that if necessary we would use the President's Emergency Fund, but some source must be found. Mrs. Hobby pointed out that they were discussing whether the Public Health Service or the Childrens' Bureau would be the proper distributing agent in such a program and that was still undecided.

General Persons asked whether production was as "all-out" as it could be. Mrs. Hobby reminded the Cabinet that monkeys were scarce, that the vaccine was one of the most complicated ever made, and she emphasized that we must never speed up production at the expense of quality. Surgeon General Scheele pointed out that the production took 90 days regardless and if we took special steps now to increase production the results would not show for 90 days, at which time a sufficient supply is expected anyway. He described the painstaking methods by which the Public Health Service checks the production process. Putting every batch of vaccine through an actual monkey test (as compared with a tissue culture test) would slow down the vaccination program by 30 to 40 days.

Referring to the recent polio outbreaks, the President inquired if this wasn't a little early for them to come naturally. Dr. Scheele replied that while the incubation period ranges from 3 to 31 days, it is almost always 14 to 16 days which means that the children now coming down with it had it before they were inoculated. He mentioned one medical phenomenon that is now getting its first large-scale test: When the skin of persons who are incubating polio is punctured, paralytic polio has a tendency to come to a head. Sec. Wilson said that if this were so, why isn't winter the best time for inoculation. The Surgeon General agreed but said that now is the time when the vaccine became available -- not earlier. Dr. Scheele warned that we must not forget the 60 - 90 percent range of the Salk vaccine effectiveness as applied to the three varieties of polio, and that we must still expect hundreds of cases of paralytic polio from children inoculated. General Persons referred to an instance of which he had already heard -- where doctors were telling mothers that they couldn't give out the vaccine because the Government was controlling its distribution. Mrs. Hobby emphasized that of course this was not the case, that the drug companies were cooperating fully to insure adequate distribution without violating the anti-trust laws, and that they are going to accept the recommendations of the National Advisory Committee which meets on Monday. Sec. Benson confirmed General Persons' report about public misunderstanding. It was then stressed that every Cabinet member should make it clear in public statements that the Government was not controlling the distribution of the Salk vaccine. The President requested that arrangements be made for him to speak about this in his press conference next Wednesday.

CI-24 was handed around and Mrs. Hobby emphasized that it should be drawn upon for "ammunition".

Report on the Bandung Conference - The Secretary of State said that at the beginning we assumed that the conference was going to be dominated by Chou. Actually, it turned out that the conference was dominated by a group of friendly Asian nations who believed in association with the West. Sec. Dulles said that the final communique of the conference, except for the mention of the Palestine question, was a document which we ourselves could subscribe to. Even its references to colonialism were in accord with what we feel in our hearts (though we are unable to say them publicly). The Secretary listed about eight points of the communique which were consistent with our own foreign policy.

The Secretary felt that the Conference was a very severe reverse for Mr. Nehru and meant a great loss of prestige for him. He attributed this to the fact that Nehru could not adapt himself to the pressures which developed at the conference, while Chou very astutely did adapt himself to those pressures. Chou thus achieved a certain personal success.

Secretary Dulles considered it quite significant that Chou made no attempt to defend the USSR at the conference -- even though the Soviet Union came under intense criticism on "colonialism" charges. The Secretary felt that the conference came out well for us because of the great amount of pressure which was put on Chou to refrain from acts of violence. We had feared that there was a good possibility that Chou would come away from that conference having "sold" the Asian nations on the line that the United States, rather than China, was the aggressor in the Far East, and thus gain a green light to go ahead and start violence in the Formosa area. Just the opposite occurred.

Our position now is that we will be willing to discuss a cease-fire in the area with the Chinese Communists but will not discuss any matters of substance with them without the participation of the Chinese Nationalists. The Secretary said that our way was clear to do this because in the Security Treaty which the Nationalists signed with us last December, they are bound not to use offensive force -- (1) except in self-defense, and (2) unless we agree to the attack. This means that the Chinese Nationalists have, in fact, already agreed to their part of a cease-fire and if the Chinese Communists agree likewise, we will have a cease-fire. All this might not have happened if the Bandung Conference had taken the trend we feared. This is a good development but we don't boast about it.

Sec. Dulles pointed out that the friendly Asian countries put on an amazing performance at Bandung with a teamwork and coordination of strategy which was highly gratifying -- even though none of them enjoyed the personal prestige of Chou. As a result, these nations have a new sense of self-reliance and self-confidence which will serve us all well in the future.

Development of Scientists and Engineers (CP - 13/2) - The President introduced this item by referring to it as a "perennial" subject. Dr. Flemming presented the paper briefly. When Mr. Hughes asked about timing, Dr. Flemming said he expected the report on the statement would be released sometime soon, perhaps when the committee referred to in the statement has been selected. The President referred back to the

Cabinet meeting of January 7th and to the Secretary of State's comment on the lack of reference to the social sciences and the humanities. Dr. Flemming hoped this had been corrected by the third paragraph in the draft statement. Sec. Dulles suggested changing the words "greater stress" to "increased stress".

There was no further discussion of CP-13/2 and the draft statement therein was considered approved.

The President then digressed and mentioned the irony inherent in the fact that we had invested some $6 billion in the B-47, now obsolete -- while the House had chopped $12 million from the Educational Exchange Program, which is of demonstrated worth. This, said the President, was just criminal.

The Secretary of State gave another example: Representation allowances, which are utterly inadequate for the diplomatic task facing our representatives in key spots all around the world. The President commented on the great effort expended to find a man for a sensitive Far Eastern post and "when we found him, what could we offer?" The Vice President pointed out that the Senate Appropriations Committee would be considering restoration of some of these cuts, and went on to cite his Latin American tour as another example of inadequate representation allowances becoming embarrassing, as the CIA had to help foot the bill.

Sec. Dulles compared US allowances with those of UK diplomats. Mr. Hughes said that, of course, we must have a system of priorities in Government expenditures. The Secretary of State emphasized that a strong case could be made for greater priorities for representation funds. To dramatize the point, the Vice President asked what would we have paid "for Prime Minister Kotelawala's speech" at the Bandung Conference. He said fundamentally these countries want to be paid attention to, and that the CIA had to help out the representation funds for Bandung.

The President reiterated his unhappiness at the inconsistency of pouring great sums into vast projects with diminishing return, while at the same time crippling much more modest projects and programs which are of demonstrated value.

Preliminary Tax Discussion - The Secretary of the Treasury said he wanted the political advice of the President and the Cabinet on five major questions of tax policy. He asked for guidance as to which of the five subjects we should attack and make proposals on this year (rather than next year when we would like it less), and which should be "buried permanently".

The Secretary of the Treasury pointed out that several errors were made in last year's major revision of the tax code. A typographical error had wiped out the penalty for a certain type of narcotics violation; the Congress had corrected that. Another error allowed a loophole for business accounting; the House has approved a correction for this and it is expected that the Senate will do likewise. In addition, there are some seventy other typographical and minor editorial errors which ought to be changed.

The five sensitive areas are as follows:

A. Whether or not to tax Co-ops. Sec. Humphrey pointed out that in 1951 Congress had passed a law taxing co-ops but that their lawyers had found a way around it. Some of the co-ops affected had put their patronage returns in the form of credit chits, payable at an indefinite period. The courts have since ruled that these chits were so indefinite as to be non-taxable. Mr. Humphrey pointed out that some of the co-ops are using their funds to expand into many other fields of business to the point where they compete with other corporations in those fields which have to pay the full corporate tax of 52%. This is not fair.

The President commented that perhaps a system should be devised for imposing a withholding tax on co-op members as partners, rather than trying to have thousands of individual co-op members report their refunds as taxable income. Mr. Humphrey said that perhaps the Government should be willing to let co-op members get away without paying taxes on patronage refunds but that the inequity arises from the fact that co-ops pay no tax on their accumulated capital and, at the same time, are expanding to compete with corporations which do pay such tax.

Sec. Benson spoke as a "friend of co-ops", pointing out that many of the co-ops had voluntarily relinquished their "co-op" status, mostly because the record-keeping was too complex. (They have to demonstrate that no more than 50% of their business is with non-members.) He said that the national proportion of business done by co-ops has not increased in past years. In the case of farmers' co-ops, the organizations give the individual farmers more bargaining power than each would have alone. He pointed out that all the political leaders support farm co-ops unanimously and that the Administration could make a terrible political mistake by proposing such taxation. Sec. Humphrey agreed but pointed to the real inequity of letting many of the co-ops go tax free. He added that even the co-op people admit privately that the inequity should be remedied but they will never go that far publicly.

B. Whether or not Savings Banks should be taxed. Many of the same political issues apply here.

C. Whether or not Self-Employed Persons should be Permitted to Deduct for "Pension" Funds for themselves. Sec. Humphrey pointed out that employees of big companies get pension rights while lawyers, doctors, etc., are not allowed to deduct from their taxable incomes amounts they would like to save for the same purpose. This problem naturally applies to the higher income self-employed. The danger here, of course, is that the Treasury could lose too much money by allowing such deductions. Sec. Dulles commented that the lush expense accounts of corporation employees were a fertile source of tax money. Mr. Humphrey noted that that was a matter of law enforcement rather than a new policy issue. Sec. Humphrey said this proposal brings with it danger of the Administration being charged with helping the rich while at the same time it taxes the poor farmers and consumers co-ops.

D. Whether or not Mutual Insurance Companies should be taxed. The Secretary of the Treasury pointed out that today all insurance companies are taxed alike, whether or not they are mutual, because they all have to compete with one another. He felt that, possibly because of the votes of their policy-holders, insurance companies are not paying anything like their fair share of taxes.

E. What the Administration Policy should be on Depletion Allowances.

* * *

The President said his first reaction was to do what was right regardless of the consequences. Sec. Wilson felt, with respect to co-ops, that perhaps we should try to aim at some of the flagrant abuses but not move in on all co-ops everywhere. The President agreed and suggested the possibility of putting a "corps of inspectors" on co-ops which abuse their tax immunity and nag them. He said he was very much in favor of co-ops but very much against these abuses. Several Cabinet members then pointed out the practical political impossibility of making any proposals on this problem now. The Administration certainly would be accused of going after the poor for the benefit of the rich. If we try to tax credit unions, for instance, this charge would certainly be made.

The President concluded that perhaps our best course of action now was not to make an immediate decision, but he asked Secretaries Humphrey and Benson to continue to try to work out some kind of proposal on the question of taxing co-ops.

Organization of the War Communications Administration - Dr. Flemming briefly summarized the proposal for which he sought Cabinet concurrence: That authority in this field be given to one person rather than a board collectively. The President emphasized that in any real emergency one man, rather than a committee, must have the responsibility. He pointed out that a board could be appointed but that its executive authority would have to be put in the hands of its chairman.

Report from the Dust Bowl. - Sec. Benson distributed a map showing the areas of potential danger and his recent itinerary.

(The President left the meeting briefly at this point.)

Mr. Benson summarized his impressions as follows: Colorado, some of Texas, and New Mexico were worse than the reports he had received. Other areas, especially Kansas, were not so bad. His own feeling was that the Government, through its system of price supports, is partly to blame for the over-cultivation of some of this area and has a moral obligation to help out. Even though the drought now is as severe as that in the 1930s, there has been no exodus from the area for several reasons: (1) Farmers now have greater resources than they had in the 30s; (2) they have better knowledge and better equipment; (3) they remember how the conditions of the 30s changed and improved after a while.

The Secretary said he saw large areas that were badly damaged in the 30s but are now surviving well because they have had the benefit of good agricultural practices -- and he described what some of these were and how they took effect in halting dust storms. He pointed out the variety of state laws in the area. Kansas, for example, requires that if a farmer fails to use sound agricultural practices and endangers his land thereby, the County Commissioners come in and work over his farm, and then charge the expenses to his taxes. Colorado, on the other hand, has a much more poorly enforced law. The Secretary told of the two meetings which he expects to call with the Governors of the central states and with the land grant colleges.

Overseas Use of Administration Speeches (CI - 23) - Mr. Streibert referred briefly to a recent column by David Lawrence which pointed out the confusion in Europe about all the American voices which were heard speaking on policy matters for foreign audiences. He summarized CI-23, which was favorably received by the Cabinet.

(The President returned to the meeting at this point.)

Hoover Commission Report on Overseas Economic Activities.- The President said he had just talked to Mr. Hoover, Sr., about the forthcoming report on foreign economic activities. He made the suggestion that perhaps more functions (the Korean program, for example) of FOA could be transferred to the Defense Department than we had previously calculated. Perhaps Commerce could handle the administration of the Battle Act. Sec. Dulles commented that the more we could keep out of State, the happier he would be, and Mr. Wilson voiced similar sentiments. The President then said that what we needed around here was a couple of bureaucrats! The Cabinet members were asked to give special study to this report as soon as it appeared.

Bradley H. Patterson

Bradley H. Patterson, Jr.

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CI - 24

April 29, 1955

The White House
Washington

THE CABINET

The Salk Vaccine

For information of Cabinet Members, attached is a statement by the Secretary of Health, Education, and Welfare touching upon some of the problems involved in the production and distribution of the new Salk anti-polio vaccine.

The attached statement is circulated for reference in connection with the discussion of this subject by the Cabinet at its April 29 meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Information

REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON STATUS AND BACKGROUND OF SALK POLIOMYELITIS VACCINE

Chronology

On April 12, Dr. Thomas Francis of the University of Michigan reported that field trials of the Salk poliomyelitis vaccine conducted last year indicated that the vaccine was 60 to 90 percent effective as a preventive for polio. Simultaneously, the National Foundation for Infantile Paralysis announced that it would provide vaccine for all first and second grade children in the United States. On the same day the Department of Health, Education, and Welfare announced that under the National Biologics Control Act, six firms had been granted licenses to manufacture the vaccine. They were: Cutter Laboratories, Berkeley, California; Eli Lilly Co., Indianapolis, Indiana; Parke-Davis & Co., Detroit, Michigan; Pittman-Moore Co., Zionville, Indiana; Sharp and Dohme, Philadelphia, Pennsylvania; and Wyeth Laboratories, Inc., Marietta, Pennsylvania.

It was apparent, however, that even though some of these companies were already producing the vaccine, the supply situation would be critical for the next several months.

On April 14, the President directed the Secretary of Health, Education and Welfare to survey and report to him on the best means of assuring equitable distribution of the vaccine.

On April 22, a scientific and technical meeting was attended by 25 groups and organizations representing the health and medical professions, the pharmaceutical and drug industries, and other professional groups. Among the recommendations of that group was the establishment of a National Advisory Committee on Poliomyelitis Vaccine to serve over the next few months. The Secretary, on the same day, recommended and received approval for the appointment of such a committee. The other recommendations of the conference, detailed below, were made public at the same time.

On April 27, a meeting was held of some 50 national organizations broadly representative of the public interest. The purpose was to provide them with current information about the availability of the vaccine and to give them full opportunity to express their views on the difficult questions of supply and distribution. They were advised that their viewpoints would be made immediately available to the National Advisory Committee. At the meeting, an announcement was made of the membership and chairman of that committee--Dr. Chester Keefer, Special Assistant to the Secretary for Health and Medical Affairs and Advisor to the President.

Cutter Vaccine Suspension

The Public Health Service late on April 26 and during the early morning of April 27 received reports of six cases of polio contracted by children vaccinated with materials from the Cutter Laboratories of Berkeley, California.* Shortly before noon the Surgeon General instructed Cutter temporarily to withdraw all of its vaccine. All State Health Departments were immediately notified and the suspension was reported to Mr. Hagerty's office, to the Chairmen of the Congressional Committees concerned with HEW legislation, to the California members of the House and Senate, and to the press. Wire service and Washington reporters met with Drs. Keefer and Scheele within ten minutes after the announcement and the reasons for suspension were fully and carefully explained.

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* As of noon April 27: 11 cases

In this as in later TV interviews and a press announcement, the Surgeon General stressed that the action was taken in the public interest, that no necessary indictment of Cutter products should be made, and that the immunization program should continue. It was pointed out that the report on the Salk vaccine indicated from 60 to 90 percent effectiveness and that some cases of polio had to be expected. Public Health Service personnel left immediately for Berkeley to check the vaccine produced in the Cutter Laboratories.

Extent of Polio Problem

Poliomyelitis is a Nationwide problem that has risen steadily from year to year.

A total of 38,741 new cases and 1,620 deaths were reported to the Public Health Service in 1954. This was the third highest year of polio incidence in U.S. history, being exceeded only in 1949 and 1952.

The peak incidence for the country as a whole occurs in the 5 to 9 year age group, but many attacks of the disease occur among both younger and older children and adults. In 1954, polio struck hardest among children 5 and 6 years of age.

Polio is typically a summer disease, usually beginning in April and lasting through October. It reaches a peak in August and September. In general, the West South Central and the Pacific States show a rising incidence well ahead of the rest of the country.

Development of the Vaccine

Poliomyelitis had been recognized in the eighteenth century. Until quite recently, however, scientists were not sure where the disease came from, how it entered the body, or how to control it.

Conquest of polio became possible in 1949, when Dr. John Enders, of Harvard University, succeeded in cultivating the polio virus in human tissue cultures. This paved the way for the production of the large quantities of virus prerequisite to production of vaccine.

This achievement, together with discoveries that there are three distinct types of polio virus and that the virus travels through the blood stream before reaching the nervous system, was basic to the development of a vaccine.

In developing the vaccine, Dr. Jonas E. Salk, with funds provided by the National Foundation for Infantile Paralysis, ably applied all the basic developments of the many scientists who contributed to the conquest of polio.

Supply

Present and Estimated Future Poliomyelitis Vaccine Supply

The present and estimated future poliomyelitis vaccine supply is summarized in Table 1. The data were obtained from the 6 manufacturers and pooled by our Department.

Table I

Estimated Cumulative Production Through Date Specified

DATE	N.F.I.P. CONTRACT	CUMULATIVE COMMERCIAL SALE	TOTAL NO. OF IMMUNIZATIONS	Percent of U.S. Population MOST SUSCEPTIBLE AGES 1-9	AGE GROUP 1-19
April 20	6.9	0.5	3,700,000	11.9	6.7
May 1	10.7	1.2	5,950,000	19.2	10.8
June 1	16.1	7.7	11,900,000	38.3	21.6
July 1	17.6	26.3	21,950,000	70.7	39.9
Aug. 1	18.0	43.9	30,950,000	99.7	56.3

The first priority for production is to fill the National Foundation for Infantile Paralysis contracts. They will be completed by July 15, 1955 when nine million children in age groups 6 to 9 will have been vaccinated under the present projected program.

Beginning May 1 there will be increasing supplies of vaccine for commercial distribution.

By August 1 there should be enough vaccine to immunize all children between 1-9--the most susceptible age groups.

Allocation Problems

The problem of allocation of polio vaccine while it is in short supply centers on equitable distribution of available supplies so that each State receives its fair share of vaccine regardless of ability of the consumer to pay.

The following must be considered:

a) Allocations to States

    1) For purchase by tax-supported agencies.

    2) For private practitioners.

b) Allocations for export

c) Allocations for Armed Forces and Federal employees abroad

It has been recommended by producers, distributors, medical societies and some consumer groups that the vaccine be distributed on a voluntary basis. Distribution would be made following recommendations of the National Advisory Committee to producers, and after consultation with State committees set up by Governors.

Shipments after allocation would flow to State health departments, and to private physicians for their respective use. The flow of vaccine would be through normal trade channels.

Tasks of Advisory Committee

The National Advisory Committee, staff for which has been appointed and is already at work, will hold its first meeting on Monday, May 2.

One of its first--and most urgent tasks--will be the development and release of a statement of priorities with respect to age groups.

The Committee will also:

-- collect information concerning the production of each company.
-- match total production figures against the numbers of persons in the most susceptible age groups for each State, and advise each company of the monthly amount it should distribute to each State until vaccine is no longer in short supply.
--on the basis of reports from the States, advise each company on the amount to be allocated to tax-supported institutions and to private practitioners through the normal channels of trade.

The Governors of the States and Territories have been requested to appoint an official point of contact within the State to keep the National Committee informed as to local needs and conditions.

Economic Problems

The vaccine purchased by the National Foundation for Infantile Paralysis for the 9 million first and second graders, for those who received "dummy shots" last year, and for those who cooperated in the field tests without receiving "control" or "dummy" shots is being provided by the Foundation without cost to the parents. The costs of administering the program in each State are being carried by State health departments, or departments of education. Physicians have volunteered their services without charge.

The Foundation has not agreed to purchase the recommended "booster" injection of one cc. to be given seven months after immunization. This problem is one that will have to be resolved by the States or local communities.

After the Foundation's contract has been filled, there will be two principal groups seeking vaccine:

1) State Health Departments -- for the purchase of vaccine for indigent children and persons in public, tax-supported institutions and those for whom the State has agreed to pay the costs.

2) Private Practitioners of Medicine -- for the purchase of vaccine for private patients.

During the period of short supply, it is likely that the National Advisory Committee will recommend that each manufacturer allocate not less than X percent of his supply to each State, fair proportions going to State health departments and to private practitioners. These proportions would be worked out after consultation with each State committee.

Five States have already appropriated funds for purchase of the vaccine and thirteen other State legislatures are considering appropriations for this purpose.

Persons who are unable to purchase the vaccine and the services of a private physician will need help. In addition to the aid being provided by the States, it is possible that some form of financial aid will be necessary from the Federal Government. The meeting on April 27 of 50 private groups revealed widespread opinion that some financial assistance from the Federal Government is needed for low income families.

Authority for appropriations for grants to States already exists, but a special additional appropriation would be required.

Technical Committee on Dosage

In the field trials last year three doses of polio vaccine of one cc. each were given at intervals of 2-4 weeks.

Prior to April 12, 1955, it was anticipated by the National Foundation for Infantile Paralysis that this schedule would be recommended for immunization. On this basis, the National Foundation contracted for 25.0 million cc. for delivery June 30, 1955. This amount was to supplement 2.0 million cc. contracted for in connection with the field trials last year.

On April 12, Dr. Salk announced that from his recent experiments a dosage schedule of one cc. should be given twice, two or three weeks apart, with a "booster" dose seven months later. This schedule was adopted by the Foundation.

Like all new biological products, the time-dose relationship requires experimentation in order to arrive at the optimum dosage schedule. It is possible that the amount of vaccine used can be reduced to less than one cc. per dose. In order to keep abreast of the results of experiments, the Public Health Service has set up a Technical Committee on Dosage to recommend the best dosage schedules.

Action for Advisory Committee

To sum up, there are two immediate and urgent problems to be considered at the Monday, May 2, meeting of the National Advisory Committee on Poliomyelitis Vaccine. They are:

1. The establishment and announcement of priorities for age groups throughout the Nation.

2. The development of a formula for equitable distribution of the vaccine during the short supply period on a State-by-State basis to be voluntarily undertaken by the manufacturers.

CABINET PAPER—PRIVILEGED

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CI - 23

April 27, 1955

The White House
Washington

THE CABINET

Overseas Use of Administration Speeches

For information of the Cabinet and their Staff members concerned, attached is a copy of a brief note on the above subject prepared by the United States Information Agency.

This note may be useful as a reminder of the facilities which U.S.I.A. can provide in helping to ensure that those Administration speeches with a significant overseas impact achieve maximum effectiveness abroad.

The attached paper will serve as background for Director Streibert's remarks on this subject at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

When the President or a member of the Cabinet speaks, even on domestic affairs, the whole world is interested; yet this alone is not enough to insure that foreign audiences will hear the speech and understand it.

From the standpoint of world news coverage, advance texts are almost indispensable. Time must be allowed not only for transmission, but for translation and distribution abroad.

The best time to make such texts available to U.S.I.A. and the Press is between 9 a.m. and noon -- which is already 5 - 7 p.m. in Europe. (The text, of course, can be protected under a strict "HOLD FOR RELEASE" admonition.) This generally allows eight to ten hours before scheduled release time, in the case of an evening speech. This is sufficient for transmission of the full text, translation, and distribution in time for the papers to carry full accounts rather than a brief bulletin, which is often the best they can do when no advance text is available.

Although the commercial news agencies seldom carry complete texts of speeches, the U. S. Information Agency does. Placed in the hands of foreign government leaders and newspaper editors in time and smoothly translated, these texts assure greater attention and coverage, and provoke comment based not on snap judgments or fragmentary news accounts, but on real understanding.

The President's 1955 State of the Union Message is an excellent case in point. It was made available to correspondents and the U. S. Information Agency about 15 hours in advance of delivery. The result was an extraordinarily wide use, in all areas of the world, of comprehensive accounts.

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CP - 13/1

February 16, 1955

The White House

Washington

THE CABINET

The Development of Scientists and Engineers - Report plus Implementing Documents

For consideration by the Cabinet, attached is a copy of the Report to the President of the Special Interdepartmental Committee on the Development of Scientists and Engineers, preceded by a covering brief and supplemented by (a) a comparison of scientific manpower in the U. S. and the U. S. S. R. and (b) a proposed Presidential Statement, as the chief implementing document for the Report.

This Report (CP - 13) was considered by the Cabinet at its Meeting on January 7 and decision was withheld pending development by ODM of a specific statement which the President might issue (RA - 8, Item 3). The attached statement has now been prepared, and is to be considered as the principal "implementing document" referred to in the second line of page 2 of the Covering Brief. (The other implementing documents are the appropriate action memoranda which follow the language of the Report.)

The concurrence of the Cabinet and the approval of the President are requested for the Report itself, which is unchanged, and for the proposed Presidential Statement.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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Comparison of Scientific Manpower in the U.S.A. and the U.S.S.R.

On the basis of data made available through the U. S. Department of Health, Education and Welfare, it appears probable that the U.S.A. has only a slight numerical superiority, if any, over the U.S.S.R. in scientific and technical manpower, and that unless specific attention is paid to training in the future, our research and development potential, as measured by numbers of highly trained personnel, will soon be equalled or surpassed by the Soviet Union.

The Current Supply

According to available evidence, although there are more than twice as many college graduates in the U.S.A. than in the U.S.S.R., the numbers of graduates employed in scientific fields in the two countries appear to be approximately equal.1/

TABLE 1. NUMBERS OF COLLEGE GRADUATES EMPLOYED IN SCIENTIFIC FIELDS IN THE U.S.A. AND THE U.S.S.R. IN JANUARY, 1954, AND THE INCREASE IN NUMBERS DURING 1954.

The Dwight D. Eisenhower Library
1

U.S.A.		U.S.S.R.	
Total graduates employed January 1954	New graduates in 1954	Total graduates employed January 1954	New graduates in 1954
1,115,000 a/	47,000 b/	1,035,000	116,000

a/ Does not include an estimated 200 thousand engineers in the U.S.A. who do not have college degrees.

b/ Estimated proportion of all 1954 science and engineering graduates who are employed in scientific fields.

TABLE 2. ESTIMATED NUMBERS OF PERSONS HOLDING DEGREES AT THE DOCTORAL LEVEL IN THE MAJOR SCIENTIFIC FIELDS IN THE U.S.A. AND THE U.S.S.R. IN JANUARY 1954, AND THE NUMBERS OF ADVANCED DEGREES AWARDED DURING 1954.

	U.S.A.		U.S.S.R.	
Field	Total Jan. 1954	Granted in 1954	Total Jan. 1954	Granted in 1954
Total	48,000	4,300	56,000	8,000
Physical sciences and engineering	30,000	2,550	29,000	4,000
Agricultural sciences	10,000	1,000	11,000	1,500
Health sciences	8,000	750	16,000	2,500

1/ Includes the physical sciences and engineering, the agricultural sciences, and health sciences. In evaluating these data, several factors should be taken into consideration, e.g., differences in present and future requirements resulting from differing types of economy, availability of trained persons in the U.S.A. who are not currently employed in the scientific fields, the number of engineers in the U.S.A. who do not have college degrees, etc.

Training

The U.S.S.R. has increased its pool of well-trained scientific and techincal manpower at a rapid rate during recent years. Graduations in both countries declined sharply during World War II, but both showed rapid post-war recovery. With the exception of the high-point in U.S.A. graduations in 1950, the trend since the war has favored the U.S.S.R. Indications are that this trend will continue.

An important factor in the interpretation of these figures is that a higher percentage of graduates in the U.S.S.R. than in the U.S.A. actually work in the scientific and technical fields in which they have been trained.

Not only does the U.S.S.R. hold an apparent advantage in the total numbers of persons holding degrees at the doctoral level in science, but its present and projected rate of production is greater than in the U.S.A. While it is anticipated that the numbers of Kandidat degrees granted in the U.S.S.R. will continue to increase annually, the number of Ph.D. degrees granted in the U.S.A. is expected to decline from the 1954 high until about 1958, when it is expected that a gradual increase will begin.

THE CABINET

The Development of Scientists and Engineers

- Brief -

The Development of Scientists and Engineers

Problem: To overcome the shortage of adequately trained scientists and engineers.

Discussion: Continuation of previous discussion of Cabinet agenda item CP 13 dated January 7, 1955.

In June 1954 the President requested that a Special Interdepartmental Committee review the trends in scientific and engineering education and recommend steps to increase the supply and qualify of trained persons in these fields. The Special Committee found that:

(1) a shortage exists in many fields of science and engineering;

(2) this shortage is endangering national security:
  (a) our industrial strength and growth are dependent upon these fields,
  (b) our supremacy in advanced military technology is threatened (see attached "Comparison of Scientific Manpower in U.S.A. and U.S.S.R."), and
  (c) the shortages are greatest in those specialties most important to national defense;

(3) the shortage tends to be self-perpetuating:
  (a) secondary schools cannot obtain qualified science and mathematics teachers for present requirements, let alone provide for foreseeable growth,
  (b) 80% of our high school graduates do not receive a bachelor's degree and only 2% of those judged mentally capable of obtaining the Ph.D. degree in any field do so;

(4) the government's concern for science and engineering does not in any way reflect upon the essentiality of other professions or occupational groups. We must never neglect the great need for continued advancement in the humanities and social sciences. It is, however, in the field of science and engineering that we are confronted with the shortage which must most immediately concern us.

(5) prime responsibility belongs to educational institutions, professional societies and local governments. Although it is not in the American tradition for the Federal Government to take direct action in problems of this kind, the Government has, through various of its activities, provided assistance in the education and training fields.

Recommendations: That the President approve the attached report and implementing documents which will (a) establish a National (non-governmental) Committee on the Development of Scientists and Engineers, and (b) direct Federal Agencies to take all action possible within their present authority to stimulate the development of scientists and engineers in needed fields at an increased rate.

Implementation: If the President approves this report and signs the implementing documents, the Director of the Office of Defense Mobilization as Chairman of the Special Interdepartmental Committee will arrange for the formation of the proposed National Committee. Department and Agency heads will be directed to carry out the recommendations of the report.

Concurrences: Members of the Special Interdepartmental Committee:
The Secretary of Labor
The Secretary of Commerce[1]
The Secretary of Health, Education, and Welfare
Chairman of the Atomic Energy Commission
The Director of the National Science Foundation
The Assistant Secretary of Defense (Manpower and Personnel)

Attachments:
(1) Report of Special Interdepartmental Committee.
(2) Comparison of Scientific Manpower in the U.S.A. and the U.S.S.R.
(3) Presidential Statement on Establishment of National Committee.

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[1] The Department of Commerce enters a reservation concerning the proposed Presidential Statement, in that Commerce recommends:
(1) that the proposed National Committee on Scientists and Engineers report to the President periodically;
(2) that the language stating the duties of the National Committee, as shown on page 4 of the proposed Presidential Statement, be strengthened in order to give the Committee greater authority.

Figure 1. GRADUATES PER YEAR IN ALL SCIENTIFIC FIELDS - U.S.A. AND U.S.S.R.

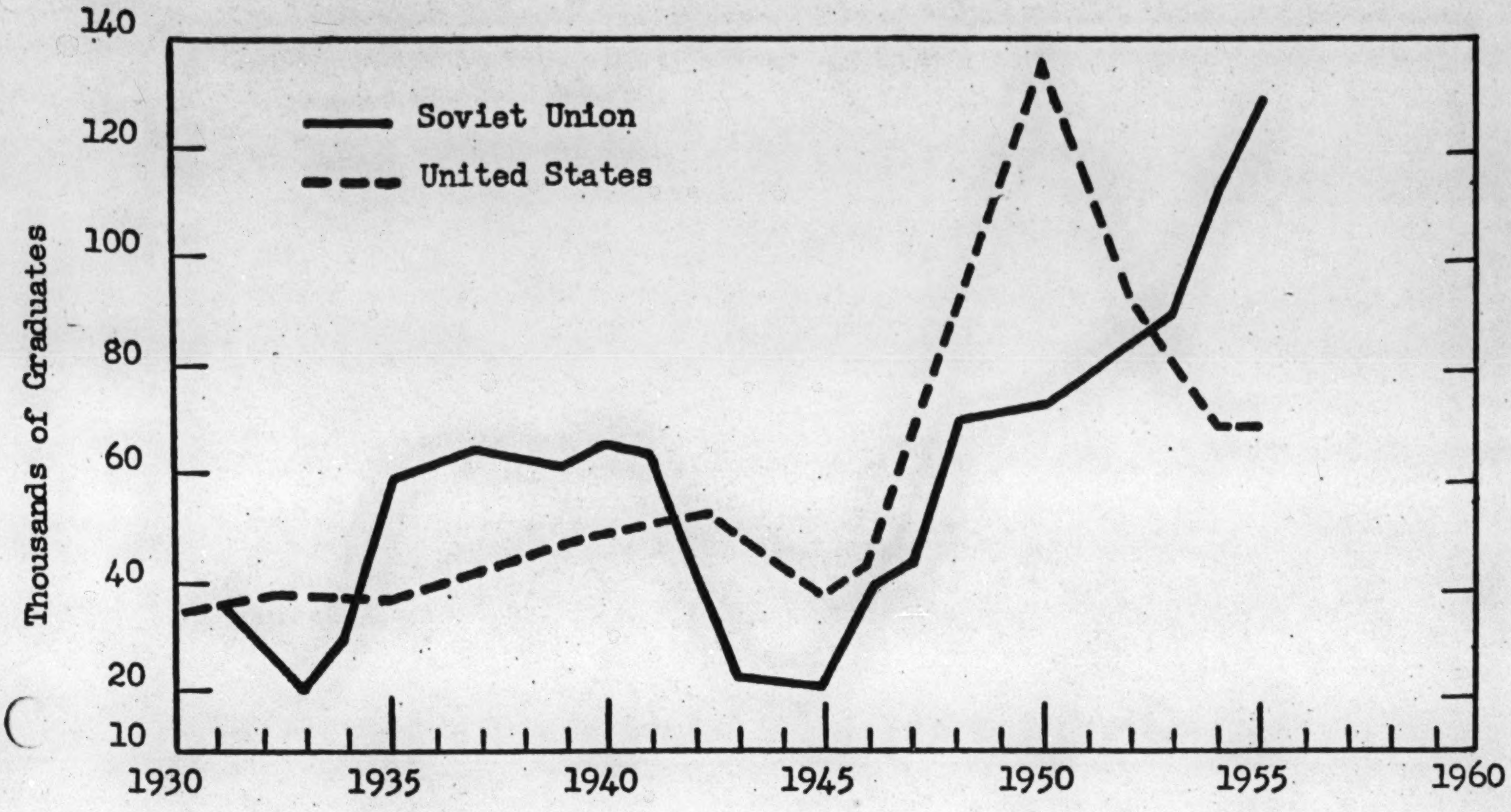
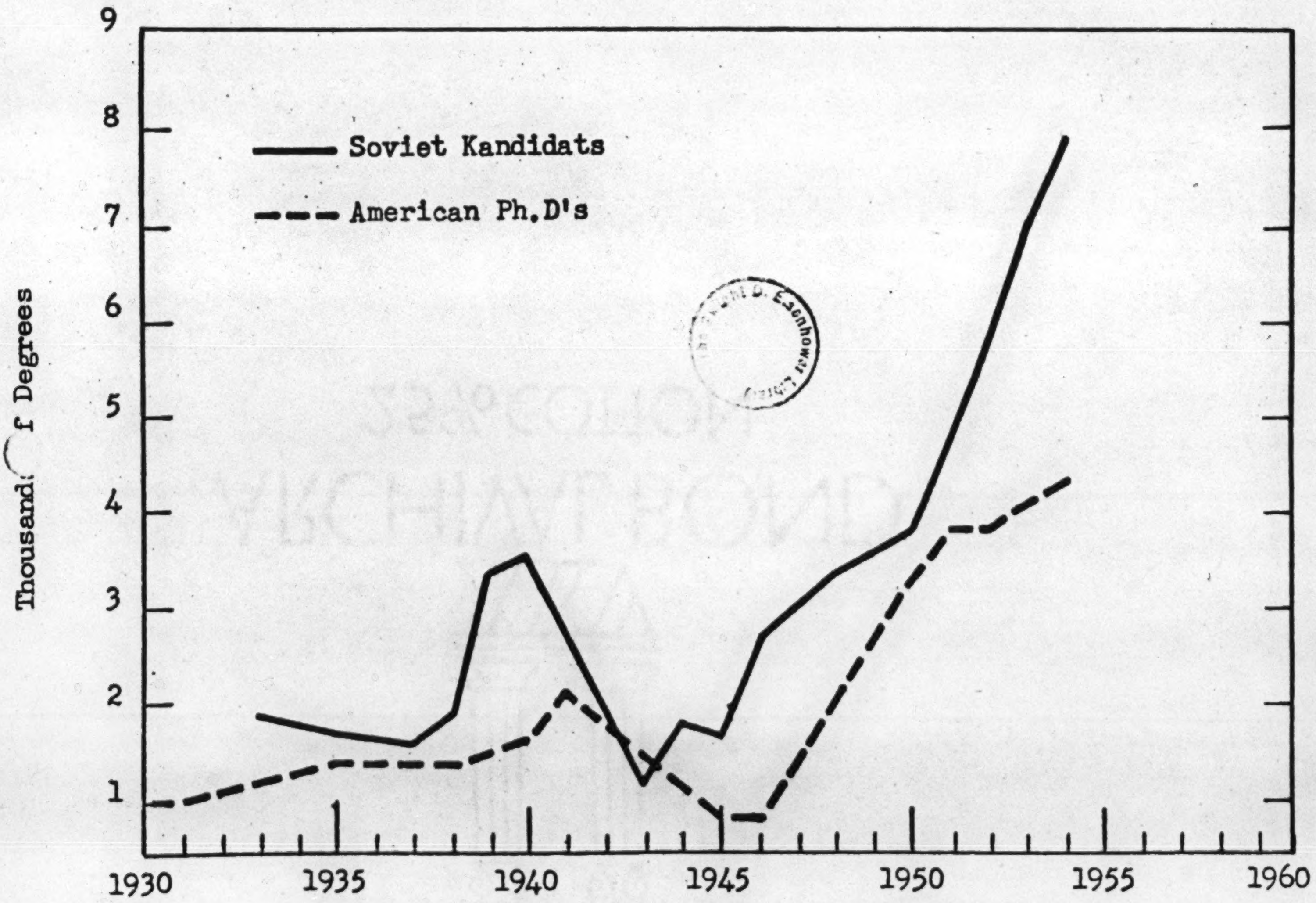


Figure 2. HIGHER DEGREES IN SCIENCE AWARDED ANNUALLY - U.S.A. AND U.S.S.R.



2/14/55

PRESIDENTIAL STATEMENT

Today I have accepted a Report on the Development of Scientists and Engineers. This is the result of a study by a Special Cabinet Committee formed at my request last summer to review the trends in scientific and engineering education and to explore the possible steps which might be taken to increase the supply and the quality of trained persons in these and related fields.

The strong position among the nations of the world which the United States now holds is based on a spiritual conviction and a material reality. Our idea of the dignity and worth of the individual has created a system of government and a way of life characterized by moral ideals and democratic values. These ideals and values are supported and given practical meaning by the discoveries of science.

In an industrial nation such as ours the economic system is dependent upon talents of a technological nature both for its maintenance and for its progress. The continued health of our economy and the fruitful employment of our expanding labor force are dependent upon new discoveries and their rapid application to useful purposes in agriculture and industry.

This need for technological advance, vital as it is to the civilian economy, is no less essential to the military in its task of safeguarding our freedom against the threat of aggression. We have chosen to build our armed strength upon the same basis as we have our civilian strength -- upon trained personnel equipped with the finest, most advanced tools we are capable of producing. These tools -- weapons in the case of the military -- must be constantly improved and new ones must be developed.

These new weapons and counter-weapons necessitate the assignment of a large share of our technical manpower to their development; their creation can only come through free, voluntary research by men with the essential education and training, and with the will and opportunity to apply this education and training.

The supply of highly qualified scientists and engineers is insufficient in many fields to meet both our estimated civilian and military requirements. Therefore, the Nation must concern itself with its needs in these fields. The necessity for training more highly qualified scientists and engineers in no way reflects upon the essentiality of other professions, nor has sight been lost of the significance of other occupational groups. We must never neglect the great need for continued advancement in the humanities and social sciences. However, the struggle for supremacy in science and engineering is one to which urgent attention must be given. We cannot risk having leadership in basic and applied science pass into the hands of our potential enemies.

Actually this shortage of qualified scientific personnel is very closely tied to the general problem of educating a larger part of our youth to the higher levels of competence.

Despite the need, at the present time approximately 80 percent of the young people graduating from high school do not attain a bachelor's degree at a college or university — the minimum for qualified engineers; and of those judged to be mentally capable of obtaining a Ph.D. or its equivalent — the level of education required for highly qualified scientists — 98 percent do not reach this level.

Contributing to the problem and to the difficulties in solving it, are such factors as the growing inadequacies of our educational facilities, increasingly high educational costs, poor utilization of trained personnel, and the shortage itself. For example, even now our schools are having severe difficulties in obtaining qualified teachers for the courses which are basic to preparation for careers in science. Without obtaining additional qualified mathematics and science teachers for the secondary schools, we cannot even provide for normal replacements at the present level, let alone take care of foreseeable growth.

In the face of these shortages there is growing evidence that the Soviet Union is continuing to step up its production of scientists. In numbers alone their scientific and engineering graduates this year are expected to exceed ours by about 100 percent. Present indications are that improving educational standards and increasing experience have raised the quality of Soviet scientific and technical personnel in most major fields to approach that of the United States.

Under the traditional American system, the education, training and utilization of our professional personnel are normally responsibilities of educational institutions, professional societies, industry, labor, and State and local governments. Federal Government functions in this area have been largely indirect and designed to assist rather than to assume primary responsibility. In the past these actions have included liberalization of the tax laws to encourage private contributions to education, the support of research at educational institutions, the awarding of graduate fellowships in science and engineering, the development of programs to improve scientific and engineering instruction, research and informational activities dealing with occupational opportunity, student deferment and others.

I am directing Federal agencies to review and strengthen their existing activities and to determine whether new programs are needed which will contribute to the development and effective utilization of engineers and scientists.

The national effort, however, must be far broader than Federal Government action. Responsibility must continue to rest with our leaders in education, assisted by the professions, industry and labor groups who have been closely connected with our educational system and who are greatly concerned with our current educational problems. I am therefore establishing a National Committee on the Development of Scientists and Engineers in line with the recommendations of the Report, to give additional impetus and momentum to the present attacks on this problem. The Federal Government, however, will provide only the initiating leadership in establishing the Committee; the responsibility for continuing activities of the Committee will rest with the Committee. Its duties will include, but not be limited to:

(1) encouraging private and public groups to initiate and expand present programs directed toward acquainting the people generally with the opportunities in science and engineering;

(2) enlisting cooperation of interested individuals and groups in the development of programs designed to remedy the

situation that now confronts the nation;

(3) making suggestions as to how non-Governmental activities in this area may be more effectively coordinated;

(4) making available recommendations and information on effective ways of overcoming obstacles to meeting the country's needs in these areas.

The National Science Foundation will serve as the Federal Government's liaison with the Committee and will provide it with secretariat services. I am certain that once this problem has been analyzed and more thoroughly made known, it will be solved in a manner in keeping with our traditions.

CABINET PAPER—PRIVILEGED

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CP - 21

March 2, 1955

The White House

Washington

THE CABINET

Extension of the Renegotiation Act of 1951

For consideration by the Cabinet, attached is a paper prepared by the Secretary of Defense proposing the extension of the Renegotiation Act of 1951 until March 15, 1957. (This Act expired as of December 31, 1954.)

The attached paper highlights the specific reasons of the Department of Defense for supporting such an extension, and is followed by suggested language for a Bill which would be the legislative vehicle for the extension recommended.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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THE SECRETARY OF DEFENSE

Washington

2 March 1955

TO: The President

FROM: The Secretary of Defense

Problem: Extension of the Renegotiation Act of 1951 which expired December 31, 1954.

Discussion: The Department of Defense recognizes and believes in the free enterprise system and fair profits. It also recognizes that although we are at peace, the country is nevertheless in a state of semi-mobilization and is expending annually vast sums on its defense program.

Certain of these expenditures are made with industries and individual companies which the Government to all practical intents and purposes, supports and finances. It does business with other companies on a very large scale. It is absolutely necessary that those industries and companies doing large volumes of business with the Government are not allowed to make unreasonable profits on Government contracts.

The rate of expenditures by the Department of Defense is a good measure of the need for renegotiation. In FY 1951, Department of Defense expenditures were approximately $20 billion. This increased to $39 billion in FY 1952, $44 billion in FY 1953, and approximately $40 billion in FY 1954. The forecast for FY 1955 is over $35 billion, and expenditures for FY 1956 and FY 1957 will probably be of comparable magnitude.

The next two years will see an introduction into the Air Force program of the latest types of supersonic aircraft. While substantial strides in pricing policies and techniques have been made, the control of profits to a reasonable level cannot always be achieved, particularly where volume is abnormal. In the changing technology of the defense effort, new equipment becomes more complex and past production and cost experience is not necessarily satisfactory for forecasting costs and avoiding unconscionable profits. Price redetermination cannot be considered a complete solution to this problem and the excess-profits tax is no longer available. Other factors also preclude close pricing to the extent desired. These arise principally in situations where the Government is unable to obtain the benefits accruing from extensive competition because of limited sources or proprietary situations.

Experience has proved that statutory renegotiation is an effective method of insuring against abnormal profits. It has a salutary psychological effect in original contract pricing and has proved particularly effective in the subcontracting areas where maintenance of sufficient controls to prevent excessive profits is extremely difficult.

It should be noted that the expiration date of the Renegotiation Act occurs when Congress is not in session. While it is recognized that most businesses operate on a calendar year basis, consideration should be given to the feasibility of selecting a different expiration date.

Recommendation: That the Administration strongly support an extension of the Renegotiation Act of 1951 to March 15, 1957.

CABINET PAPER

For Consideration

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A BILL

To extend the Renegotiation Act of 1951, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 102 of the Renegotiation Act of 1951 (65 Stat. 8), as amended (68 Stat. 1116), is hereby amended by striking out "December 31, 1954" and inserting in lieu thereof "March 15, 1957".

CABINET PAPER

For Consideration

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CP - 13/2

April 27, 1955

The White House

Washington

THE CABINET

The Development of Scientists and Engineers - Report plus Implementing Documents

For consideration by the Cabinet, attached is a copy of the Report to the President of the Special Interdepartmental Committee on the Development of Scientists and Engineers, preceded by a covering brief and supplemented by (a) a comparison of scientific manpower in the U.S. and the U. S. S. R. and (b) a proposed Presidential Statement, as the chief implementing document for the Report.

This Report (CP - 13) was considered by the Cabinet at its Meeting on January 7 and decision was withheld pending development by ODM of a specific statement which the President might issue (RA - 8, Item 3). The attached statement has now been prepared, and is to be considered as the "implementing document" referred to in the second line of page 2 of the Covering Brief.

The concurrence of the Cabinet and the approval of the President are requested for the Report itself, which is unchanged, and for the proposed Presidential Statement.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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THE CABINET

The Development of Scientists and Engineers

- Brief -

The Development of Scientists and Engineers

Problem: To overcome the shortage of adequately trained scientists and engineers.

Discussion: Continuation of previous discussion of Cabinet agenda item CP 13 dated January 7, 1955.

In June 1954 the President requested that a Special Interdepartmental Committee review the trends in scientific and engineering education and recommend steps to increase the supply and qualify of trained persons in these fields. The Special Committee found that:

(1) a shortage exists in many fields of science and engineering;

(2) this shortage is endangering national security:
  (a) our industrial strength and growth are dependent upon these fields,
  (b) our supremacy in advanced military technology is threatened (see attached "Comparison of Scientific Manpower in U.S.A. and U.S.S.R."), and
  (c) the shortages are greatest in those specialties most important to national defense;

(3) the shortage tends to be self-perpetuating:
  (a) secondary schools cannot obtain qualified science and mathematics teachers for present requirements, let alone provide for foreseeable growth,
  (b) 80% of our high school graduates do not receive a bachelor's degree and only 2% of those judged mentally capable of obtaining the Ph.D. degree in any field do so;

(4) the government's concern for science and engineering does not in any way reflect upon the essentiality of other professions or occupational groups. We must never neglect the great need for continued advancement in the humanities and social sciences. It is, however, in the field of science and engineering that we are confronted with the shortage which must most immediately concern us.

(5) prime responsibility belongs to educational institutions, professional societies and local governments. Although it is not in the American tradition for the Federal Government to take direct action in problems of this kind, the Government has, through various of its activities, provided assistance in the education and training fields.

CABINET PAPER

For Consideration

Recommendations: That the President approve the attached Report and implementing document which will (a) establish a National (non-governmental) Committee on the Development of Scientists and Engineers, and (b) indicate that the government will, within its proper role, render every possible assistance in the solution of the problem.

Implementation: If the President approves this report and signs the implementing documents, the Director of the Office of Defense Mobilization as Chairman of the Special Interdepartmental Committee will arrange for the formation of the proposed National Committee. Department and Agency heads will be directed to carry out the recommendations of the report.

Concurrences: Members of the Special Interdepartmental Committee concurring in the Report are:

The Secretary of Labor
The Secretary of Commerce
The Secretary of Health, Education, and Welfare
Chairman of the Atomic Energy Commission
The Director of the National Science Foundation
The Assistant Secretary of Defense (Manpower and Personnel)

(NOTE: The draft Presidential Statement in exactly its present form has not been previously circulated to the Members of the Committee.)

Attachments:
(1) Report of Special Interdepartmental Committee.
(2) Comparison of Scientific Manpower in the U.S.A. and the U.S.S.R.
(3) Draft Presidential Statement.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

Office of the Director

December 23, 1954

The President
The White House
Washington, D. C.

Dear Mr. President:

I have the honor to present herewith a report on The Development of Scientists and Engineers.

This Report has been developed in cooperation with and is concurred in by the Secretary of Commerce, the Secretary of Labor, the Secretary of Health, Education and Welfare, the Chairman of the Atomic Energy Commission, the Director of the National Science Foundation, and the Assistant Secretary of Defense (Manpower and Personnel).

Respectfully yours,

Arthur S. Flemming

Arthur S. Flemming
Director

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THE DEVELOPMENT OF SCIENTISTS AND ENGINEERS

SUMMARY

It is essential that appropriate measures be taken to improve the quality and increase the supply of our highly qualified scientists and engineers.

Our way of life is supported by science and technology and our future security and growth are dependent upon continuing progress in science and engineering. At a time when our supply of qualified scientists and engineers is insufficient to meet present and estimated future requirements, Russia has been increasing its output of scientists and engineers and is now approaching comparability with us in both quantity and quality.

The improvement of the quality and the increase in supply of scientists and engineers depend on many factors, of which the following are illustrative:

a. Improving the teaching of science and mathematics in the high schools by providing more qualified teachers, better teaching aids, consolidating schools to permit more special courses, and the like.

b. Improving at the secondary school level the identification, motivation, and guidance of qualified students toward careers in science and engineering.

c. Increasing the number of qualified youth who go to college and encouraging those with scientific or engineering aptitudes and interests to pursue courses in science and engineering.

d. Developing needed incentives to retain highly qualified scientists and engineers as teachers in colleges and universities or in their fields of specialization in industry.

e. Improving utilization of scientists and engineers by providing additional technician personnel to relieve them of subprofessional assignments.

The primary responsibility for the solution of the problem must rest with leaders in the fields of education, the professions, industry, and labor.

Much is being done by these groups to attack the problem on many different fronts but these efforts should be extended and better coordinated. The general public must be made more aware of the nature and seriousness of the present and anticipated shortage of qualified scientists and engineers.

The Federal Government should contribute to a solution of the problem by stimulating increased effort and coordination by departments and agencies of the Government.

The Committee recommends that the President:

1. Issue a public statement emphasizing the seriousness of the problem in terms of both our economic growth and our national security, the obstacles to its solution, the work that has been done, including past and present activities of the Federal Government, and urging that increased efforts be made in the future.

2. Recognize that responsibility for solution of the problem rests primarily with leaders in education, the professions, foundations, industry, and labor, by appointing a National Committee on the Development of Scientists and Engineers comprised of representatives from these organizations. The function of the Committee should be to enlist the cooperation of their respective groups in developing a coordinated action program and to stimulate widespread public understanding and support, basing their program in part on the suggestions in this paper.

3. Direct the National Science Foundation, with the cooperation of other agencies, to give additional emphasis to programs within its responsibility, to provide leadership to other agencies in developing activities which will contribute to a solution of the problem.

4. Direct all appropriate departments and agencies to reexamine and strengthen existing activities, and to develop indicated new programs for contributing to the development and utilization of scientists and engineers for partial or full mobilization, coordinating their activities through the Office of Defense Mobilization.

5. Direct the Office of Defense Mobilization and the National Science Foundation to report progress to the President every six months, to recommend any additional legislative measures which may be required, and to continue to recommend avenues of further study.

THE DEVELOPMENT OF SCIENTISTS AND ENGINEERS

Introduction

It is essential that appropriate measures be taken to improve the quality and to increase the supply of our highly qualified scientists and engineers.

This conclusion rests on a careful evaluation of the place science and engineering have won in protecting our national security and in expanding our economy. The ideals and values on which are based our system of government and our way of life are in large measure supported and given practical meaning by the discoveries and applications of science and technology to meet the expanding material needs of a free people.

These ideals and values are today being challenged in many ways, but one of the most direct thrusts at the security and growth of the United States and the Free World is in the field of military and industrial technology. The ground of this challenge is well chosen. Science and engineering have made such remarkable progress in recent decades that the nation which holds the lead in those fields holds the initiative in world affairs. Only at our great peril could we risk having leadership in basic and applied technology pass into the hands of our potential enemies.

In the face of this threat to our national security, our requirements for scientists and engineers are twofold. The need for new and improved weapons and countermeasures requires a heavy and sustained effort in the field of military research and development. In addition, a strong national economy and a rising standard of living require continued productivity increases and new jobs for our ever expanding work force. This essential growth depends very heavily upon the large scale development of new knowledge and the rapid application of that knowledge for industrial purposes.

In American society, the indispensable combination of qualitatively superior military and civilian technology can come only through free, voluntary research. Such research requires men and women possessing highly developed professional skills, with the opportunity and incentive to use those skills in activities of value to our national security and economic strength.

The supply of qualified engineers and scientists is in many areas insufficient today to meet our present and estimated future combined civilian and military requirements. Although the number of engineering graduates will increase markedly in the next four years, a similar increase in the number of science graduates cannot be foreseen at this time. Moreover, simply catching up on numbers is not enough; the production of very high quality, creative engineers and scientists will remain a continuing challenge.

Information now available clearly shows that the Russians, who for years have been building up by every possible means their supply of scientific and engineering talent, are accelerating their education and training programs. They are even now approaching comparability with the United States in both quantity and quality of graduated scientists and engineers and may have overtaken us in some of the physical science fields.

The necessity for developing more highly qualified scientists and engineers in no way diminishes the importance of other professions such as the social sciences, humanities and the law. It is necessary to point out, however, that it is in the fields of science and technology that the struggle for military supremacy today is being waged. It is therefore appropriate that the Nation concern itself particularly with the development of men and women in engineering and scientific fields.

The General Problem

In considering the many problems involved in attaining the objective of developing more and better qualified scientists and engineers, three basic considerations must be kept in mind:

> First, the number of youth of college age is now at low ebb--more than one million lower than in 1940. This number will rise gradually until 1965 after which the number will move rapidly toward a new high level.
>
> Second, increasing the supply of qualified scientists and engineers is only one part of the larger problem of increasing the supply of highly qualified college graduates in all fields. For various reasons, only about a third of the young people graduating from high school enter college on a full time basis and less than a fifth of the high school graduates attain the bachelor's degree, the minimum level of education required for qualified engineers. Less than two percent of those judged to be mentally capable of studies at the doctorate level obtain the Ph.D. degree or its equivalent, the level of education required for highly qualified scientists. If with proper motivation and opportunity a substantially larger proportion of qualified youth pursued training toward a degree, the normal selective pattern would provide a greatly increased continuing supply of trained scientists and engineers.
>
> Third, increasing the supply of qualified scientists and engineers is impeded by the need for a general improvement of staff and facilities of secondary schools. Without obtaining additional qualified mathematics and science teachers at the secondary school level, we cannot even provide for normal replacements at the present level, let alone take care of foreseeable growth. This problem will become more grave because the school age population growth is at present considerably greater than the increase in facilities.

Despite these very real obstacles, the picture is not all dark. College enrollments show that the freshman classes in engineering have been increasing rapidly during the past three years, and this increase will continue. On the long-time pull, enrollments in engineering will participate in the general increase in college enrollment between 1965-1970, and there is reason to hope that the same increase might be reflected in the field of science.

Nevertheless, expanding technology and an expanding economy are producing demands for highly qualified scientists and engineers beyond the numbers who are preparing themselves for this work. It is not enough to plan for presently estimated needs; it is expected that the demand for trained scientists and engineers will accelerate as new discoveries open up areas for further exploration and application. Again, while increasing the number is important, the immediate need is to upgrade the quality of both scientists and engineers.

Specific Problems

Within these basic considerations there are many specific problems which must be solved in order to attain the required increase in the development of qualified scientists and engineers. Among the more important of these problems are the following:

1. Motivating-Career Decisions

   Many individuals capable of becoming engineers or scientists now make the decision not to go to college, or if they do go to college, make the decision not to study engineering or science.

   Factors which influence human decisions such as they are personal and complex; but experience has shown that Americans, when the facts are known and the conditions are reasonable, will make decisions which are in the national interest.

   For example, since 1950, concerted efforts have been made to publicize the need for engineers and to attract students to this field. As a result, the percentage of first-year students who entered engineering courses in 1953 was significantly higher. (17.5% of all first-year male students as contrasted with 10.7% in 1950.)

   The problem of motivating students to elect careers in science is more complex. In addition to the exacting demands of graduate work, the extended period of training (usually two to five years beyond the bachelor's degree), coupled with competing incentives of gainful employment, marriage and family, and other personal and social considerations operate to reduce the number who elect to complete studies at the doctorate level.

2. Teacher Shortages

Serious shortages of qualified teaching personnel exist or are developing at all levels of education. Currently, the number of qualified elementary school teachers being prepared each year is short of the number who annually leave the profession because of retirement, death or other causes. In the secondary schools the general shortage is not yet as serious as in elementary schools but the situation threatens to deteriorate during the next ten years. Since 1950, less than half of the teachers who graduated with certificates to teach science or mathematics entered teaching as an occupation. Science and mathematics instruction, in many instances, is being carried on by teachers not sufficiently trained in these subjects. Under those circumstances, able youth who might enter scientific or technical professions are not likely to get the needed inspiration and encouragement to do so, and those who are interested may fail to get the thorough basic training needed for college studies. Many liberal arts graduates with majors in science or mathematics, and who are otherwise capable of intelligent and perhaps inspired instruction, are prevented from entering a teaching career because they do not possess a teaching certificate.

In summary, teaching as an occupation is not attracting its needed share of the Nation's most able persons, except possibly at college and university levels. The majority of better college graduates are entering positions more attractive to them than teaching. Many of the better qualified secondary school teachers are either moving to administrative and college level positions or leaving the profession. Many outstanding university research workers are moving to industry or government.

3. Improving Career Counselling

Decisions to become scientists or engineers usually are made fairly early in life, through influence exerted in or outside of school. About 60% of a sample of outstanding scientists surveyed made the decision while in high school to pursue a scientific or engineering career. A key factor in the motivation of youth toward careers in science or engineering is a strong instructional program with strong teachers in these areas. In fact, potential young scientists or engineers are sometimes shunted to other fields when they enter college because of inadequate preparatory programs, weak instruction, or lack of stimulation and guidance while in elementary or secondary schools.

4. **Providing Financial Aid**

Lack of financial means, while an obstacle for some individuals is often over-emphasized. Scholarships, veterans' educational benefits, loan funds, and opportunities for self-help are making college attendance possible for thousands of young people who strongly desire to attend college and who are willing to make the effort required. This is a problem of getting information to the high school students. They need to know about the college and career opportunities available to them, to know the possibilities of financing their education through scholarships, loans, or self-help, and to have financial assistance made available if it is required.

5. **Training Women**

The training of more women as scientists, engineers and science teachers would provide a significant increase in supply. The potential competence of women for many types of work in these fields has been demonstrated. Since women tend to go into the teaching field to a greater extent than men, the training of more women in these fields would pay dividends in meeting the shortage of high school science and mathematics teachers.

6. **Reducing College Student Mortality**

Despite the high qualifications of students entering freshman classes in engineering and the sciences, the "failing rate" is about the same as for other course sequences. Anything that can be done to salvage these high quality students, without sacrifice of standards, would be helpful. Better inspection of transition courses and of instruction and its results may yield a larger production of scientists and engineers.

7. **Size of High School**

One half of the Nation's high schools have seven or fewer teachers. Those small high schools have specific difficulty in providing strong preparatory programs in mathematics and science. Their teachers frequently must teach courses in two, three, or more fields of study. Because the great majority of the graduates of these schools do not continue their education beyond high school, the educational programs offered tend to stress the needs of the non-college going youth. Potential scientists and engineers in these schools usually do not receive either the stimulus or the preparation available to youth in those large schools which employ specialized teachers and provide adequate equipment.

8. Problems at the College Level

There is also need to improve the quality and increase the availability of instruction in the sciences at the college level. Highly qualified scientists and engineers are being drawn away from colleges and universities by industry and government at a time when the instructional and research staffs of these institutions should be improving. Although scientist-educators are usually devoted to academic pursuits, they, like other workers, are attracted by conditions of work which offer good laboratories, good research budgets, good assistants, and good salaries. The average base salary paid to scientists with Ph.D's is highest in industry, next highest in government, and lowest in educational institutions. Without special gifts, endowments, and grants from industry or government, funds for research in colleges and universities would be meager. Well equipped laboratories, adequate libraries, and sufficient assistance are as essential as adequate salary level to attracting and keeping top research workers in universities. Retaining a sufficient number of highly qualified research and teaching personnel in colleges and universities is vital both to assuring an increased supply of top caliber scientists and engineers and to maintaining a needed balance between basic and applied research.

A very small number of universities are preparing a high proportion of those who are earning the Ph.D. degree in the sciences. These few schools are doing a commendable job, are fairly well equipped to do it. Certainly universities not prepared to grant the Ph.D. degree should not undertake the responsibility until they are ready to do so. The education of scientists should not be undertaken on a production line basis. But if the supply is to be enlarged in considerable amount and the quality is to be improved, ways must be found to strengthen and expand the facilities already available and to develop other strong facilities where there are students in sufficient numbers who would take advantage of them.

Even the strongest colleges and universities need additional buildings, facilities, and specialized equipment to provide adequate instruction for the numbers of scientists and engineers needed and to attract and retain high quality research personnel.

9. Poor Utilization

Many scientists and engineers are being used in positions which do not make full use of their technical training. Frequently, they are forced to spend much of their time in routine tasks and subprofessional duties because of the shortage of technicians and engineering assistants. The professional societies and some businesses have been greatly concerned about this problem and have attempted to stimulate solutions. A 10% improvement in the utilization of all engineers would be equivalent to a 10% increase in the supply. Furthermore, upgrading of job duties would make it possible to pay higher salaries, thus making the profession more attractive.

10. Competitive Incentives

Many scientists and engineers do not make full use of their technical training because they move into other fields such as sales or administration. This is understandable; engineering and scientific training is good background for executive work. Nevertheless, many scientists and engineers would choose to remain in their field of specialization where they are needed for research if this work carried equivalent recognition and economic reward.

11. Artificial Barriers

In some fields, artificial barriers prevent the employment of trained scientists and engineers or teachers of them. Despite current shortages, there are women, Negroes, and handicapped persons who are sometimes not permitted to qualify for positions commensurate with their abilities and training. Similar barriers deter many such persons from entering training for these occupations.

12. Military Service

Although the vast majority of scientists and engineers are not within the ages of Selective Service liability, those below the age of 26 share the obligation of all young people to serve in the armed forces for two or more years. This period represents a temporary loss of most of this younger group to the civil economy. The military departments are engaged in a wide variety of research and development activities and continued efforts by these departments to fully utilize scientists and engineers in uniform will minimize this loss.

Proposed Solutions

Public and private groups should be requested to give careful consideration to the measures outlined below as suggested steps toward the solution of the problem. Many of these actions are for the long term and can be worked out only over years of sustained effort. Others represent solutions which can be implemented almost at once. In the interest of national security it is important that action be initiated on both types of measures at the earliest practicable time and on as broad a scale as possible.

Motivation

(1) Develop more effective programs to demonstrate the attractiveness of the engineering and scientific fields, describe opportunities, excite interest, follow up likely prospects.

(2) Increase the scope of activities to encourage identification, training, and public recognition of outstanding talent.

(3) Plan, develop, produce, and supply publicity, demonstrations, films, tours, speakers, and such other material as may be advisable. This program material would be used extensively through audio-visual channels, commercial television, educational television, radio, newspapers, magazines, and any other mass media or specific media to reach the minds of young people.

Identification and Guidance

(1) Improve high school and college entrance counselling by making facts available to teachers or counselors, training them to understand needs in engineering and scientific fields. Encourage universities to send out representatives from science and engineering departments to identify and encourage qualified students to go to college. Develop assistance in local community guidance program from professional societies, outstanding qualified engineers and scientists in business, industry and government.

(2) Encourage more highly qualified students to take the basic high school courses in mathematics and sciences required for adequate preparation for later college courses. Develop alert college counselling and flexible curricula to salvage those lacking strength in preparation but who are otherwise qualified.

Instruction

(1) Improve high school science and mathematics instruction by such means as:

- Improving the basic college courses in science and mathematics for students who are prospective high school teachers. Improving the refresher courses designed for high school teachers.

- Drawing into the teaching field qualified married women teachers on a full-time or part-time basis; part-time science and mathematics instructors from colleges, industry, and government. Industry could be particularly helpful in providing part-time science and mathematics instruction in the smaller urban and rural high schools.

- Encouraging utilization of scientists and engineers and other qualified persons retired by industry and government, including those from the Armed Forces. Encouraging the development of procedures by which people who are well trained in science and mathematics may quickly meet certification requirements, perhaps after they have begun teaching.

- Encouraging better utilization of present science and mathematics teachers by using them in their own and related technical fields.

- Enriching classes in science and mathematics to stimulate both students and teachers at a high productive level and to permit the students to have more advanced training at the high school level.

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- Considering plans for improving transition of students from high school mathematics and science curricula to college mathematics and science curricula.

- Developing and utilizing audio-visual aids and educational television programs.

- Attracting more and better teachers by increasing salary level, by providing opportunities for summer employment both to broaden their technical knowledge and to supply additional income; providing opportunities for summer study by means of scholarships, grants and awards to teachers.

(2) Step up utilization of technician and subprofessional schools by:

- Encouraging qualified young men and women who have the interest in engineering and sciences, but who do not undertake college courses, to prepare themselves as technicians and subprofessionals.

(3) Improve college instruction in engineering and science by such means as:

- Requiring and giving more emphasis to good teaching -- auditing, evaluating, coaching of young instructors.
- Encouraging universities and colleges to continue basic curricula evaluation to provide more and better opportunities for both undergraduate and graduate study.
- Eliminating at entrance level less qualified students who drag instruction down to mediocre level.
- Providing more incentives -- salary, prestige, research and refresher opportunities -- for top-level individuals to stay at teaching posts.
- Encouraging scientists and engineers and other qualified persons retired by government and industry to assume teaching loads.

- Encouraging industry and the foundations to underwrite professorships and to provide grants for teaching and research.
- Getting more money to recognized colleges and universities for basic research which will automatically attract graduate students as participants.
- Encouraging graduate schools to avoid mass instructional techniques and to train scholars for independent creative research.
- Establishing facilities for teaching exceptionally talented students of science and engineering at their highest level of capacity.
- Placing more emphasis on teaching effectiveness as a basis for promotion rather than on research and publications.

Opportunity

(1) Encourage industries, individuals and foundations to provide sufficient scholarships so that all highly qualified young men and women have an opportunity to go to college.

(2) Stimulate colleges and universities to seek funds for fellowships, scholarships, research grants, etc. to enable qualified students to stay in school and continue graduate study where indicated. The cooperative plan of work-study might be considered wherever practicable.

(3) Develop more widely in industry and government summer work programs for students for the dual purpose of stimulating interest and providing money for continued study.

Recognition and Utilization

(1) Increase public educational efforts to create awareness of the great contributions made by scientists and engineers and respect for the men who make possible our continued technological advances.

(2) Sponsor studies of ways and means to provide parallel progression -- financially, status-wise, and socially -- for specialists with administrators and managers.

(3) Place more emphasis on career opportunities for subprofessional and technician personnel so that trained scientists and engineers may be free to perform effectively within the professional limits of their fields. The practicality of more 2-year courses in these fields and additional 2-year technical schools should be studied; industry should increase its efforts to find employees who can be trained as technicians and to encourage such training.

(4) Develop additional ways, especially in colleges and universities, to provide more income for teaching and research in engineering and science, possibly by such means as utilization as consultants, research grants, basic salary improvement.

Conclusions

1. A real problem exists. There is a shortage of highly qualified scientists and engineers to meet our present and future national security needs.

2. There is much being done by educational institutions, philanthropic foundations, professional societies, industry, and by the Government to attack the problem, on many different fronts and with varying degrees of success. Nevertheless, these efforts must be extended and better coordinated if they are to be fully successful.

3. The general public apparently is not sufficiently aware of the nature and seriousness of the present and anticipated shortage of qualified scientists and engineers. In a democracy, no major problem can be solved without widespread citizen understanding and participation.

4. The primary responsibility for the solution of the problem must rest with leaders in the fields of education, the professions, industry and labor organizations. The challenge presented to education can best be solved through the traditional system of education in the United States, acting upon a heightened awareness that not only the growth but the very survival of the Nation depends upon the continued acceleration of technological developments.

5. The Federal Government should contribute to a solution of the problem by stimulating increased effort and coordination on the part of private and public institutions and organizations, and by doing what it can within the regular resources of the Government to encourage the training of scientists and engineers.

Recommendations

The plans set forth in this report to deal with the foregoing problems are, for the most part, long range. There are many courses of action which can and should be taken, but the length of time required for substantial results, as well as the urgency of the situation, require that action be initiated immediately. We must make our plans and build on them as rapidly as possible during this period of relative peace in order to be better prepared to meet the threat of national emergency or to take maximum advantage of the economic opportunities which would be presented by an easing of world tensions.

Upon the basis of the conclusions set forth above it is recommended that the President initiate action along these separate but closely related lines: first, the establishment of a National Committee to coordinate the interests and activities of various non-governmental groups; second, the direction of action on the problem within the Federal Government.

The National Committee

1. It is recommended that the President issue a public statement:

   a. emphasizing the seriousness of the problem of increasing the supply and improving the quality of our scientists and engineers in terms of both our continuing economic growth and our national security.

   b. calling attention to the major obstacles standing in the way of a solution of this problem;

   c. stressing the importance of the work already done by many non-governmental groups in this field, and urging that increased efforts be made by these groups in the future.

2. It is recommended that the President appoint a National Committee on the Development of Scientists and Engineers, to be chaired by a man of national esteem in the field of scientific endeavor. Inasmuch as the primary responsibility for the solution of the many problems in this field must rest with the leaders in the fields of education, professional societies and organizations, foundations, industry and labor organizations, it is further recommended that the Committee be constituted of men and women representing the major organizations in these fields, such as the National Academy of Science, the American Council on Education, the National Education Association, the Engineers Joint Council, the Scientific Manpower Commission, the National Association of Manufacturers, the Chamber of Commerce, the American Federation of Labor, the Congress of Industrial Organizations, the National Grange, and the like.

   The objectives of the Committee should be to:

   a. maintain liaison with the Federal Government on the problems associated with the development of more highly qualified scientists and engineers.

   b. enlist the cooperation of all interested individuals and groups in analyzing the problem and developing programs to deal with it, and to take the lead in coordination of interested organizations outside the Federal Government.

   c. make available to all interested organizations information on effective ways of overcoming the obstacles to the training of more qualified scientists and engineers.

   d. publicize the problem and possible solutions in order to stimulate widespread public understanding and support.

The Federal Government should provide only the initiating leadership in establishing the Committee; the responsibility for the continuing activities of the Committee should rest with the Committee in accordance with the objectives outlined above.

The National Science Foundation should be the Federal agency responsible for maintaining official liaison with the Committee and should provide the secretariat services required by it.

Federal Government Action

1. It is recommended that the President issue a statement (perhaps as a part of his general statement) calling attention to the past and present activities of the Federal Government which have had or have a direct bearing on this problem such as:

    a. liberalization of tax laws to permit business and industry to make larger deductible contributions to education, and emphasizing the fact that these provisions are not being fully utilized;

    b. support of basic and applied research in colleges and universities--this support in turn providing training opportunities for many students in the fields of science and engineering;

    c. support of training of many students in the fields of science and engineering through the training provisions of the "GI Bill of Rights."

    d. support of significant numbers of graduate students in these fields through the fellowship programs of the National Science Foundation and the U. S. Public Health Service;

    e. the activities of the Bureau of Labor Statistics, the National Science Foundation, the Bureau of the Census, the Office of Education, the Department of Defense, and other governmental groups in assembling valuable statistical information concerning the supply of scientists and engineers in the United States;

    f. the activities of various Federal agencies--especially the National Science Foundation and the U. S. Office of Education--in supporting studies of various kinds having to do with the problems associated with science and engineering education;

g. the experiemental programs of the National Science Foundation in the field of scientific and engineering education, whereby professional societies and university groups have been enabled:

to investigate new methods of attack on their problems through special conferences;

to afford opportunities to college and high school teachers of mathematics and science to improve their competence as teachers through concentrated summer study in "summer institutes" designed especially to meet their needs.

h. the continuing program for student deferments and the activities of the Armed Forces to make optimum use of scientists and engineers in uniform.

i. the educational and informational programs available to all men in the Armed Forces through U. S. Armed Forces Institute, the Service Training Centers, and the like.

2. It is recommended that the President:

a. direct the National Science Foundation, with the cooperation of other departments and agencies to:

(1) continue to study and evaluate possible courses of action (whether or not delineated in this present report) which would tend to solve our scientific and engineering manpower problem;

(2) emphasize programs within its responsibility which will contribute to a solution of the problem;

(3) provide leadership to other departments and agencies in developing plans and activities which will contribute to a solution of the problem.

b. direct all appropriate departments and agencies of the Government to re-examine and strengthen their existing activities which can contribute to the development and effective utilization of engineers and scientists in partial or full mobilization and to coordinate these activities through the Office of Defense Mobilization.

c. direct the Office of Defense Mobilization and the National Science Foundation to (1) report to the President at intervals of six months progress in meeting the Nation's requirements for scientists and engineers, (2) recommend any additional legislative measures required for a solution of the problem, and (3) continue to study other avenues of approach to this problem, including a possible need for an increase of Federal scholarships and fellowships in science and engineering.

CABINET PAPER—PRIVILEGED

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Comparison of Scientific Manpower in the U.S.A. and the U.S.S.R.

On the basis of data made available through the U. S. Department of Health, Education and Welfare, it appears probable that the U.S.A. has only a slight numerical superiority, if any, over the U.S.S.R. in scientific and technical manpower, and that unless specific attention is paid to training in the future, our research and development potential, as measured by numbers of highly trained personnel, will soon be equalled or surpassed by the Soviet Union.

The Current Supply

According to available evidence, although there are more than twice as many college graduates in the U.S.A. than in the U.S.S.R., the numbers of graduates employed in scientific fields in the two countries appear to be approximately equal.1/

TABLE 1. NUMBERS OF COLLEGE GRADUATES EMPLOYED IN SCIENTIFIC FIELDS IN THE U.S.A. AND THE U.S.S.R. IN JANUARY, 1954, AND THE INCREASE IN NUMBERS DURING 1954.

U.S.A.		U.S.S.R.	
Total graduates employed January 1954	New graduates in 1954	Total graduates employed January 1954	New graduates in 1954
1,115,000 a/	47,000 b/	1,035,000	116,000

a/ Does not include an estimated 200 thousand engineers in the U.S.A. who do not have college degrees.

b/ Estimated proportion of all 1954 science and engineering graduates who are employed in scientific fields.

TABLE 2. ESTIMATED NUMBERS OF PERSONS HOLDING DEGREES AT THE DOCTORAL LEVEL IN THE MAJOR SCIENTIFIC FIELDS IN THE U.S.A. AND THE U.S.S.R. IN JANUARY 1954, AND THE NUMBERS OF ADVANCED DEGREES AWARDED DURING 1954.

	U.S.A.		U.S.S.R.	
Field	Total Jan. 1954	Granted in 1954	Total Jan. 1954	Granted in 1954
Total	48,000	4,300	56,000	8,000
Physical sciences and engineering	30,000	2,550	29,000	4,000
Agricultural sciences	10,000	1,000	11,000	1,500
Health sciences	8,000	750	16,000	2,500

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1/ Includes the physical sciences and engineering, the agricultural sciences, and health sciences. In evaulating these data, several factors should be taken into consideration, e.g., differences in present and future requirements resulting from differing types of economy, availability of trained persons in the U.S.A. who are not currently employed in the scientific fields, the number of engineers in the U.S.A. who do not have college degrees, etc.

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For Consideration

Training

The U.S.S.R. has increased its pool of well-trained scientific and techincal manpower at a rapid rate during recent years. Graduations in both countries declined sharply during World War II, but both showed rapid post-war recovery. With the exception of the high-point in U.S.A. graduations in 1950, the trend since the war has favored the U.S.S.R. Indications are that this trend will continue.

An important factor in the interpretation of these figures is that a higher percentage of graduates in the U.S.S.R. than in the U.S.A. actually work in the scientific and technical fields in which they have been trained.

Not only does the U.S.S.R. hold an apparent advantage in the total numbers of persons holding degrees at the doctoral level in science, but its present and projected rate of production is greater than in the U.S.A. While it is anticipated that the numbers of Kandidat degrees granted in the U.S.S.R. will continue to increase annually, the number of Ph.D. degrees granted in the U.S.A. is expected to decline from the 1954 high until about 1958, when it is expected that a gradual increase will begin.

Figure 1. GRADUATES PER YEAR IN ALL SCIENTIFIC FIELDS - U.S.A. AND U.S.S.R.

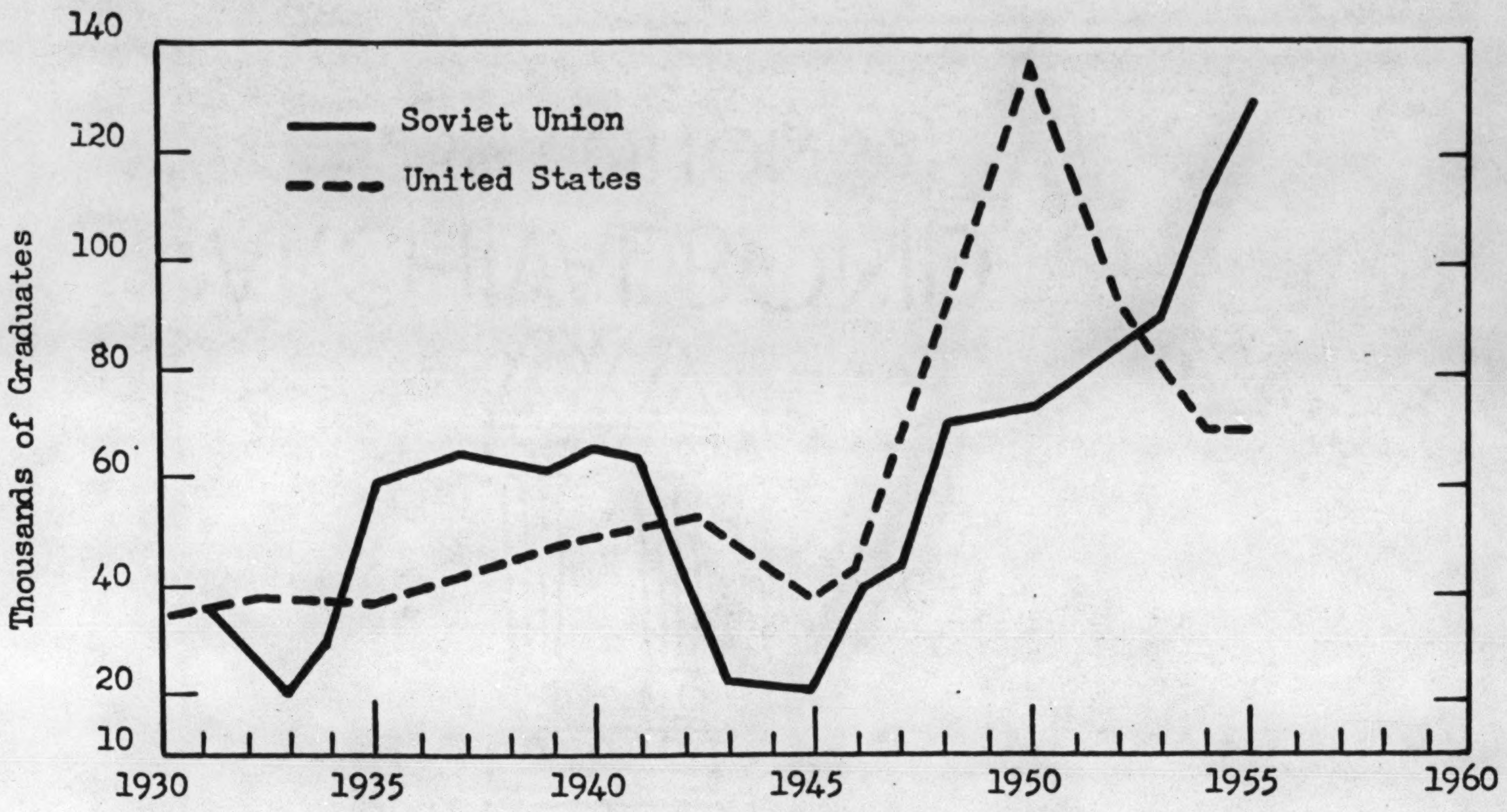
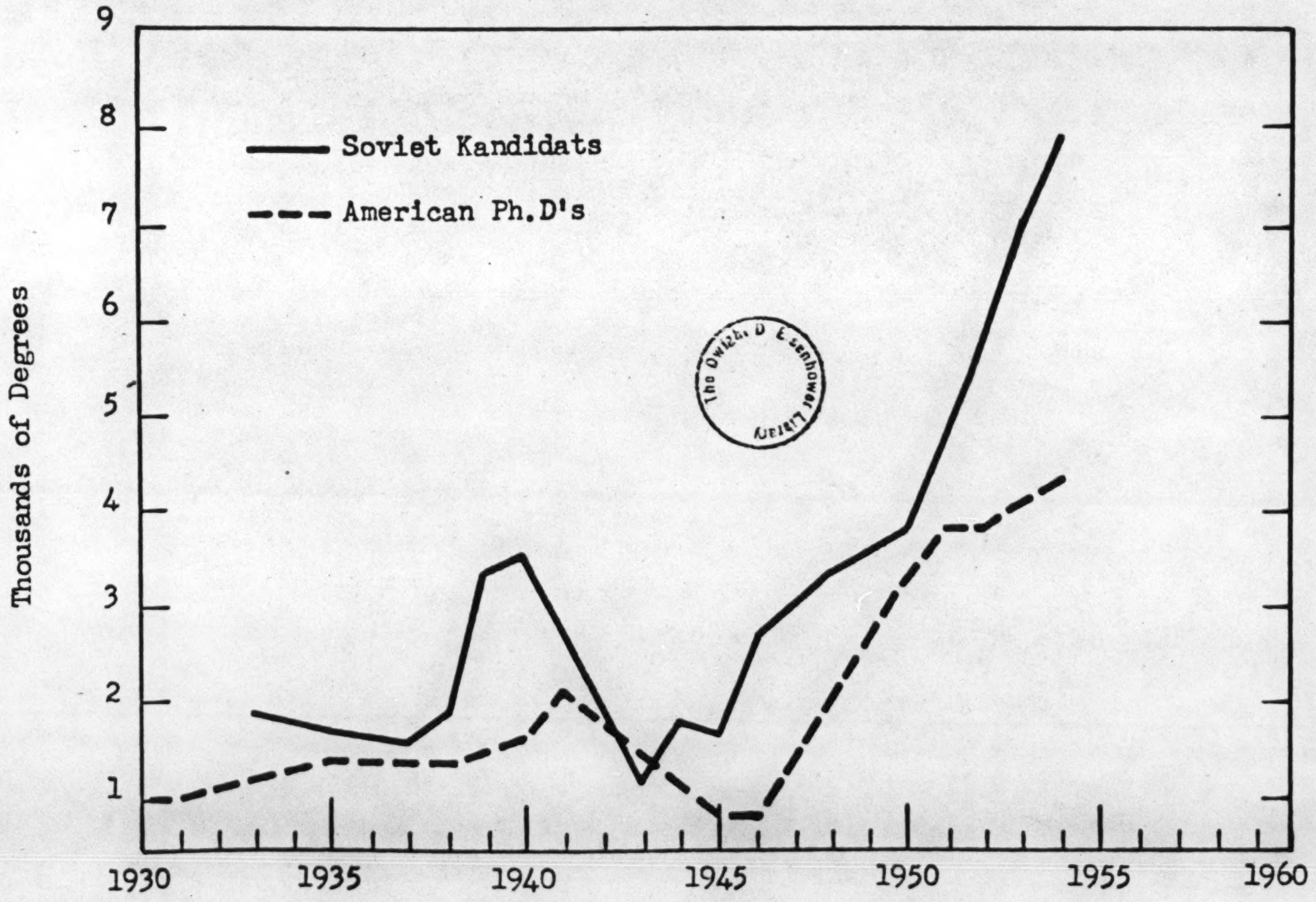


Figure 2. HIGHER DEGREES IN SCIENCE AWARDED ANNUALLY - U.S.A. AND U.S.S.R.



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DRAFT

4/27/55

PRESIDENTIAL STATEMENT

I have received a Report on the Development of Scientists and Engineers which is the result of a study by a special Committee formed at my request last Summer. This Report, which I am releasing today, points up sharply the need for increased efforts to develop the scientific and engineering talent necessary for our economic growth and our national security.

The Report finds that we are not training enough young people in many fields of science and engineering to meet our civilian and military requirements, now or for the foreseeable future. There is evidence that if we are to maintain our technological leadership, additional efforts are required to increase our supply and improve the quality of our scientific and engineering manpower.

The training of additional scientists and engineers, important as that is, will not in itself assure continued prosperity or national security. I do not feel that the welfare and security of the Nation rest alone on our material and productive resources or on our military might. We must also train highly qualified young men and women to give leadership in moral, social and political fields. While we must place ~~greater~~ increased stress on the development of technology, we must not neglect the skills through which we may win the hearts and minds of men to our ideas and principles.

The Report on the Development of Scientists and Engineers makes valuable suggestions with regard to one of our most important manpower problems. I am therefore accepting the recommendation of the Report to establish a National Committee on the Development of Scientists and Engineers. I will ask a number of recognized leaders in educational and other fields to serve on this Committee and to give some of their time and effort to measures for increasing the Nation's technological manpower resources.

The Committee, acting in accordance with the Report, will, among other functions, encourage private and public groups to develop new and to expand present activities directed (1) toward acquainting people generally with the opportunities in science and engineering, and (2) toward strengthening educational programs in these fields. I know that ~~they~~ the Committee will find and recommend effective methods for meeting the country's needs in these areas. I am requesting that the Committee report periodically on the results of its deliberations.

With respect to the recommendations of the Report concerning Federal action, the Government will, of course, within its proper role, render every possible assistance.

CABINET PAPER

For Consideration

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-5-76

Minutes of Cabinet Meeting

May 13, 1955
9:05 A. M. - 10:30 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Hoover
  (for Sec. Dulles)
Sec. Humphrey
Sec. of the Army Stevens
  (for Sec. Wilson)
Mr. Brownell
Deputy PMG Charles Hook
  (for Mr. Summerfield)
Sec. McKay
Sec. Benson
Under Sec. Walter Williams
  (for Sec. Weeks)
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young
Dr. Burns

Mr. Ralph T. Reid, Budget
  (In part)

Gov. Adams
Gen. Persons
Mr. Hagerty
Mr. Shanley
Mr. Dillon Anderson
Mr. Harlow
Dr. Hauge
Mr. Morgan
Gov. Pyle
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

The President announced that he had just had word from Sec. Dulles that the latter is en route to Vienna to sign the Austrian Treaty.

Budget Objectives (CP-27) - Mr. Hughes presented a chart showing receipts and expenditures for Fiscal Years 1954 through 1956 and an estimate for 1957. He emphasized that despite the excess of expenditures over receipts since the inauguration of President Eisenhower, nevertheless the receipts have exceeded the new obligational authority of this Administration in each of the past three years, thus keeping the Administration "in the black" at least on a current basis.

Mr. Hughes then emphasized that the prospective small surplus for FY 1957 could be secured only by tight control on expenditure programs. He distributed a paper (CP-27) setting forth the procedure to be followed in establishing tentative appropriation ceilings very early this year.

The President believed it of enormous importance that the Administration present a balanced budget for FY 1957. He recalled his Peoria campaign speech, which meant to him a need for producing a balanced budget. He asserted that balancing would not take priority over national security or

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other programs the country had to have but that it would take priority over tax cuts and non-vital programs. He asserted that he would fight a tax cut next year if proposed at the expense of a balanced budget. He went on to state his interest in achieving a surplus which, even though small, could be applied to reduction of the debt. He added that he would love to see a tax cut, particularly for those with low incomes, but that it would not be done at the expense of achieving a balanced budget so long as he is in office.

In regard to other aspects of Mr. Hughes' presentation, he suggested that it would be premature to establish written ceilings at this time and that it would be a good technique for the head of each department to shoot for something lower than his expected ceiling in order to leave room for financing last minute emergencies.

The President concluded by stating that a balanced budget was now his great objective and that if he won this battle he would think that he had largely accomplished his job.

Sec. Benson said that the chief difficulty as concerns the Department of Agriculture is that Congress always insists on increasing its appropriation, hence it was all the more desirable to shoot for a somewhat lower target than might be necessary.

Sec. Humphrey stated his agreement with the President's remarks in every respect except one -- namely, that the Administration should seek a larger margin between receipts and expenditures than is now anticipated. He believed that the key to a surplus rests in great economic activity which he feared would not continue without the stimulation of another tax cut. Both a balanced budget and a tax reduction seemed required. These could only be obtained by further reductions in expenditures. The President cited the fact that little room was left for reduction of expenditures after some $40 billion of the budget was provided for security programs. Sec. Humphrey nevertheless believed it possible to pick up another $2½ billion if extensive efforts were directed toward reduction. After the President commented again on the difficulty of consolidating any large saving even though small amounts of fat could be found here and there around the world, Sec. Humphrey said that the desirable thing was for every department to aim for a reduction. To that the President agreed, and he went on to say that he would have to see a surplus in black and white before he would agree to a tax reduction. Sec. Humphrey repeated that a tax reduction would have to come from savings in expenditures.

Gov. Stassen believed a larger surplus might materialize from the current expansion of the national economy, but Sec. Humphrey believed the current level would not be maintained except by further tax reduction. The President took note of the large inventory of unsold automobiles and asked Dr. Burns to see him after the meeting.

Sec. Benson believed further savings might be made through further reductions of personnel. Chairman Young indicated that a 10% cut had already been accomplished. Sec. Benson believed another 5% reduction could be accomplished without bad effect at this time of great employment opportunity. The President remarked that legislation does not allow the Administration a free hand in dismissing the inefficient and keeping the valuable employees. Chairman Young noted that 80% of Federal employees are in the Veterans Administration, the Post Office, and the Department

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E.O. 11652, Section 1
By GHC NLE, Date 3-15-77

of Defense. Mr. Hughes reported that Sen. Dworshak thinks he could manage an appropriate bill untying the Administration's hands. Chairman Young said that the Veterans Preference laws were the biggest obstacle, to which the President added that any action in that respect would arouse every demagogue against the Administration. Chairman Young suggested that the most might be accomplished by not filling vacancies, especially since the annual turnover is so large. The President believed department heads might insist that their staffs prove the need for refilling any vacant positions.

Salk Vaccine - Mrs. Hobby explained that the polio vaccinations had been stopped on the advice of the assembled biologists, who believed it desirable to have the scientists tour the producing factories and then review the situation in the light of any knowledge obtained. She pointed out that it was impossible to do more than test batches of any drug and that the Public Health Service had had more and better evidence for licensing the Salk vaccine than for any other product licensed in the past.

To the President's question as to whether any Government action should be recommended at this time, Mrs. Hobby stated that she was going to testify to Congress Monday in regard to a standby control measure but will recommend immediately the voluntary program. Mrs. Hobby made passing reference to a plan still to be worked out which would enlarge the role of the National Polio Foundation.

Labor Legislation - It was noted that the President had requested Sec. Mitchell to speak to this subject following Sen. H. Alexander Smith's question as to Administration intent with regard to amendment of the Taft-Hartley Act. Sec. Mitchell believed that the Taft-Hartley Act had always been over-emphasized. He preferred to see it de-emphasized, believed that some de-emphasis had been accomplished, and would not wish to change the current posture of the Act. He believed that in view of Congressional attitudes, there would be little to be gained by pressing this issue. The President agreed.

Sec. Humphrey desired to call to the Cabinet's attention the Labor Department's fine handling of the L. & N. Railroad strike, particularly by bringing it to an end on the eve of a period of threatening labor unrest.

Sec. Mitchell reported that the President by his comment at the press conference of May 4th had probably -- and inadvertently -- settled the Southern Bell Telephone strike, for the management was now moving rapidly toward settlement in order to preclude arbitration. The President recalled the repeated questioning on the L. & N. strike, the settlement of that one, and the recent question on the telephone strike -- all of which led to what he believed was a very natural comment.

European Economic Development - Dr. Burns reported that during his recent trip to Europe he had encountered considerable optimism among European leaders that economic improvement would continue but also some concern about the developing inflation and recent deterioration of the dollar balance as a result of export decreases. He said that there had been more vocal concern over the bicycle tariff increase case than over the prospects of the Reciprocal Trade bill now in Congress.

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By GHC NLE, Date 3-15-77

He noted the recent inflation in Britain, concurrently with the adverse balance of trade. He believed that the recently announced tax reductions were inconsistent, at least in the short run, with other measures stiffening monetary policy. He believed there would be considerable wage increases and labor unrest in Britain after the election but that the situation would not be serious provided available monetary weapons are utilized.

The President asked about the amount of public discussion of the Four Power meeting. Dr. Burns had heard very little about it. The Vice President asked about the reasons for the increased labor strength which Dr. Burns had said made the election outcome look very close. Dr. Burns reported Mr. Butler's feeling that despite prosperity the workers tended to vote for whoever promised the most. He noted that anti-Conservative propaganda was being developed without real foundation to the effect that the monetary measures and the tax cuts were designed to help the rich. He believed the situation in England should be followed closely because of the relationship it might have to the next U.S. election.

Gov. Stassen believed there was an important concept among the British that if they were laborers they should vote for the labor party. He felt there was a lesson in this -- from which our efforts should be directed to preventing any identification of the Democrat Party as the labor party. He suggested that greater effort be made to develop contacts on understanding with labor leaders in the states. The President noted the effort he had made during the past year to include labor leaders from time to time in his stag dinners, and he invited suggestions for use next Fall.

Defense Production Act - Dr. Flemming reported that he would, on the basis of his recent discussion with the President, soon testify on the legislation for extending the Defense Production Act. He said he would include no recommendation for standby controls in his direct testimony, but that he would undoubtedly have to respond to questions. In that case, he would recall the Administration position of two years ago to the effect that the Administration would not object if Congress wished to authorize standby controls, that more recent studies had shown the possibility of situations arising where standby controls would be needed, that many people in the country including the Chamber of Commerce were concerned at the absence of a standby authority, that the Administration would not recommend such a measure but that it felt, on balance, it would be desirable to have the authority if Congress saw fit to provide it. The President agreed on the desirability of this approach, and went on to state his belief that it was not vital to have the authority and consequently not worth the risk of arousing great controversy when Congress has more important issues to consider. He stated, however, that he would prefer to have standby authority rather than have to resort to martial law to accomplish necessary actions. The Attorney General suggested that martial law would not be applicable in situations other than an attack upon continental United States. It would be possible for Congress to assemble quickly in any situation where martial law was not applicable.

Wheat Marketing Quota Referendum - Sec. Benson stated that Agriculture would soon announce the Wheat Marketing Quotas for 1956 and set the date of June 25th for the farmers' referendum on the matter. He believed that farmers might vote against the quota system because of their

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By BHC NLE, Date 8-5-76

great unhappiness with controls. If that happened, the price support for wheat would drop by law to 50%.

Sec. Benson said that Agriculture would, before June 25th, submit to Congress a proposal for action to help cover the situation should the marketing quota be turned down. The President questioned whether that would affect the outcome of the referendum, since it would tend to reassure the farmers that they would not be hurt by rejecting the quota. After a brief exchange, Sec. Benson agreed. He will review this matter further.

The meeting was concluded with Sec. Benson's story about Sen. Eastland being ready a year ago to advocate flexible price supports, except that he was not sure in an election year that the people of his state were ready to accept such a change.

LAM
L. A. Minnich, Jr.

Copies to
Mrs. Whitman
Mr. Rabb
Mr. Minnich

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CP - 27

May 12, 1955

The White House

Washington

THE CABINET

Procedure for Preparation of the 1957 Budget

For consideration by the Cabinet, attached is a brief paper prepared by the Director of the Bureau of the Budget.

This paper proposes a revised procedure to apply to the preparation of the F.Y. 1957 Budget.

This paper is for Cabinet consideration in conjunction with Item 1 on the Agenda (CA - 21).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

THE CABINET

PROCEDURE FOR PREPARATION OF THE 1957 BUDGET

BRIEF

Problem: (a) To make the budgetary ceiling process a more effective means of carrying out the President's budgetary policies.

(b) To use the process to expedite and simplify the succeeding steps in the preparation of the Budget.

Discussion: In the last few years, it has become increasingly difficult to keep budgetary decisions on individual items within the framework of the budgetary policies and ceilings established by the President in June or July of each year. Too many major issues have been raised for decision in the fall when there is not adequate time to evaluate each issue in the light of established budget policy and make decisions accordingly, because of the pressures in meeting the deadline for the transmission of the budget document to Congress in January. As a result, many of the decisions modify the established policies. This accentuates the problems of achieving the President's budget objectives.

To improve this situation, changes are suggested in the procedure for setting budget ceilings so that: (a) thorough consideration would be given in May and June not only to general budget objectives and policies, but also to the maximum amounts consistent with these policies which could be included in the budget for major programs (including legislative proposals); (b) the agency heads concerned would participate more actively in the adoption of these general objectives and policies and in the development of ceilings for their agencies; (c) there would be a greater degree of discussion, prior to the establishment of ceilings, between the Bureau of the Budget and each agency on issues involved in the agency's budget, with a view to reaching agreement or identifying areas of difference; (d) major unresolved budget issues would be raised for consideration and decision by the President in his ceiling determinations; (e) each agency head would then accept the responsibility for helping the administration achieve its budgetary objectives by keeping his 1957 budget estimates within the established ceiling, with the understanding that there would be no consideration of increases above the ceilings except in the most unusual circumstances.

Recommendations: That the President approve the procedure outlined above and request the agency heads to present to the Bureau of the Budget not later than May 31, 1955, their preliminary estimates of F.Y. 1957 requirements as outlined in the procedure.

Implementation: If the President approves, the Bureau of the Budget will proceed to coordinate the budget process on the basis of the proposed procedure, and will issue necessary forms and instructions for the submission of agency estimates.

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CP - 27

May 13, 1955

The White House

Washington

THE CABINET

Procedure for Preparation of the 1957 Budget

The attached paper has received the endorsement of the President and was concurred in at the Cabinet Meeting of May 13 (RA - 21, Item 1-b).

It is circulated for action by each Department and Agency, in conjunction with the agreed decision on Budget objectives (RA - 21, Item 1-a), and with letter on this subject from the Director of the Bureau of the Budget.

Attention is directed to the May 31 deadline.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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THE CABINET

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For Action

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E.O. 11652, Section 1

By DHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

May 20, 1955
10:00 A. M. - 11:10 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Summerfield
Sec. McKay, and
  Under Sec. of Interior Davis
Sec. Benson
Under Sec. of Commerce Rothschild
  (for Sec. Weeks)
Sec. Mitchell
Asst. Sec. of HEW Perkins
  (for Sec. Hobby)

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young
Amb. Lodge
Dr. Burns

Hon. Len Jordan, Internatl. Joint
  Commission
Mr. Don Paarlberg, Agriculture
Mr. Philip A. Ray, Gen.Counsel,
  Commerce

Gov. Adams
Gen. Persons
Mr. Hagerty (in part)
Mr. Shanley (in part)
Dr. Hauge (in part)
Mr. Morgan
Mr. Martin
Mr. Seaton (in part)
Mr. Lambie (in part)
Comdr. Beach (in part)
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

Northwest Power Questions - Sec. McKay called attention to the political issue being developed by the Democratic Senators from Washington and Oregon over the public power question. He took exception to the propaganda that the Federal Government should be responsible for all power development in the Northwest, pointing out that the only two areas currently short of power are those where Federal power dominates the situation -- TVA and the Northwest. He presented a chart on the power needs of the Northwest and indicated that cost requirements for that area alone exceed the amount budgeted for Federal power projects throughout the entire United States.

In discussion of the existing Federal facilities in the area, Sec. Humphrey questioned why the Federal projects were not required to include an amount in lieu of taxes in their payments to the Treasury. Sec. McKay believed such amounts should be included, and also that TVA should include interest payments. Sec. Humphrey agreed.

In answer to a query, Sec. McKay pointed out that irrigation elements of a multiple-purpose project required many years for completion and would help solve the land shortage expected in the next thirty years. Sec. Benson took exception to that expectation on the basis of recent great increases of productivity per acre resulting from new fertilizers, etc.

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It was agreed that irrigation aspects should not be stressed, and indeed that the initiation of irrigation works might be delayed while other parts of a project were pushed ahead.

Gov. Stassen focussed the discussion on the President's 1952 pledges and the potential allegation that the Federal partner in the "partnership program" was inactive. He cited the need for getting started on some Federal power project originating with this Administration. Sec. McKay noted that some projects were started, but he agreed they were not sufficient to the need, especially since some -- like Priest Rapids -- were part of some Democratic basic program even though not authorized prior to this Administration. He believed, however, that the Administration program would look better by comparison if the "Federal power Democrats" oppose as is expected such partnership projects as Cougar Dam, etc. He emphasized the desirability of securing Congressional approval of pending Administration recommendations.

The President then concentrated on determining the status of the Upper Colorado River and extent of Administration efforts to get it approved. Sec. McKay assured him that Interior was making an intensive fight for it. The President stressed his desire to get started on some one necessary and large multiple-purpose project. The Vice President believed the Upper Colorado was most desirable. Amb. Lodge emphasized the desirability of achieving a "dirt-turning" ceremony this year.

Sec. Wilson believed it would be useful to get lengthy advance appropriation of needed funds so that contracting could be carried ahead as in many Defense Department matters. Mr. Hughes took note of Congressional reluctance to forego annual review of projects. The Vice President thought dirt-turning might be accomplished in anticipation of construction appropriations by utilizing any remaining planning appropriation.

The Vice President noted the Hoover Commission task force opposition to the Upper Colorado; nevertheless he believed it desirable for the Administration to push ahead with the Congressional leaders to secure the authorization and initiate this project. Both he and Gov. Stassen emphasized the need for a middle-way policy between the extremes of the public power and private power lobbies. Gen. Persons reported the conservationist opposition to the Echo Park dam, and the President noted the inaccessibility of the Dinosaur National Park. Mr. Flemming indicated that the Hoover Report would probably not be made until the middle or end of June.

In discussion of the 1952 campaign pledge, Gov. Adams differentiated between undertaking Federal projects necessitated by lack of local public or private participation and undertaking them merely for the sake of having a purely Federal project. He pointed to the John Day project and the proposals for Bruce's Eddy and Clearwater. He emphasized the need for legislation this year, and the responsibility of the majority party if it is not forthcoming. Sec. McKay praised the John Day Project and stated it could be started immediately following an appropriation by Congress. Mr. Hughes noted that the '56 Budget makes provision for the Priest Rapids Project, but that the specific dollar amount is yet to be requested.

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E.O. 11652, Section 1
By jbc NLE, Date 11/21/78

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#14

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/21/78

At Sec. McKay's request, Gov. Len Jordan (formerly Governor of Idaho) described the John Day project as the best possible partnership type project. Gov. Adams then described Gov. Jordan's recent assumption of duties in coordinating the many interests and agencies involved in power projects. He added that much progress has been made and that the subject will be taken up at the next Legislative Conference.

The President commented on how important it is for him to have timely knowledge of such developments so that he could discuss the matter in terms of specifics rather than principle when talking informally with interested acquaintances. He stated his eagerness to help in securing approval of these projects and asked Sec. McKay to give him a brief memorandum stating how best he could do so.

Mr. Hughes urged that the interest in the Upper Colorado not be allowed to detract from the Priest Rapids and John Day projects.

The President closed the discussion by emphasizing again the urgent need for concerted action.

Agricultural Surplus Commodities (CI-25) - As Sec. Benson read through the section of this paper concerning wheat, the President questioned why the Administration should offer any new legislation if the wheat referendum fails. Mr. Benson explained that Congress would be anxious to act in the matter and that the Administration would need a firm position. Gen. Persons added that Congress would definitely pass some such legislation without regard to the Administration.

In regard to cotton, Sec. Benson believed the price might be adjusted without departing from 90% support by changing from a seven-eighths to a one-inch staple as the computation base. He noted that use of the seven-eighths base was obsolete because of changed demands and that it tended to keep prices unduly high.

State Labor Legislation - Sec. Mitchell reviewed the fine work being done by the State legislatures to improve their labor laws, and he drew a contrast with the inactivity of the Federal legislature. He noted particularly that the House Labor Committee was studiously avoiding action on the substantive recommendations made by the Administration. He believed that public awareness of this situation should be increased at the present time.

The President directed General Persons to secure from the Cabinet advice on the particular item which ought to be emphasized by the President each week as at press conference, etc.

[redacted]

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By jbc NLE, Date 11/21/78

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PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/6/78
NLE Date 11/21/78

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

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DEBRIEFING: (for Cabinet Assistants)

Points to highlight:

ITEM 1 - Northwest Power Questions

A. Looking into the future: power demand will be tremendous

B. It will involve much more money than the gov't alone can afford

C. We are being criticized: "Where is the government's half of the partnership?"

D. Our need: to specify what we want (John Day, Priest Rapids, Cougar, Green Peter, Upper Colorado, Frying Pan, etc) and then to battle for it -- not be scattershot.

E. Significant fact: where are today's power shortages: in the NW and in TVA territory -- where gov't has gone exclusively.

F. The issue is not "Federal power or nothing", but "partnership" - but we've got to come through - and get some project to the dirt-turning stage.

G. Need in the future is for power, not more land for farming. Productivity of existing farmland is up 30% since 1947 -- and Grand Coulee area grows corn.... But power need is great -- atomic energy years away.

H. Reclamation & power didn't start with Democrats - but in 1902 with TR and Hoover started the Hoover Dam. It is in the Republican tradition.

I. The only Federal project on which dirt has actually been turned is Glendo, in Wyoming. Priest Rapids we inherited, John Day is not yet appropriated, and Upper Colorado not yet authorized by House.

J. Perhaps our job, politically, is to make specific proposals, and throw heavy weight behind them, then put the onus of disapproving them on the opposition in Congress.

K. Suggestion for handling appropriations: like Defense does. Answer: Congress insists on appropriating the annual amounts each year.

L. Problem of Hoover Commission -- tho report not expected until June.

M. Problem of party split (California opposes Upper Colorado) -- but perhaps this would be a good thing in a way.

ITEM 2 - Agricultural Surpluses

Benson read CI - 25. Re legislation if referendum fails: Congress will introduce and pass legislation if we don't introduce some of our own. Rather do this than have to go through a veto.

ITEM3 - Labor Legislation

A. This Administration has insisted that States take more of the responsibility.
How they have -- 18 have increased unemployment benefits
15 have increased length of coverage

24 have raised workingmens compensation benefits
7 of other 21 have bills before Governors to do this
Much new statelegislation re minimum wage, industrial safety, limits on hours for working women , and anti-discrimination

Significant point: CONTRAST BETWEEN ACCOMPLISHMENT OF STATES AND INACTIVITY OF U.S. CONGRESS. This we should exploit. (House has not even appointed Subcommittees to hold hearings on minimum wage)

4. Operation Alert

A. 26 relocation sites problem is: communications

B. 15 crypto capabilities

C. Gen. Paul's Inspection Team (12 inspected already)

D. Budget-CSC will inspect actual exercise.

E. Cabinet to assemble at Interim Assembly.

F. DE will go over next week plans for the major problem to be worked on, and on his own plans for participation VP to be included

G. Two points in Record of Action emphasized.

H. Congress: observers at High Point
No site for themselves yet - but investigations being made.

THE WHITE HOUSE
WASHINGTON

May 20, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Agenda for the Cabinet Meeting of May 20, 1955

Item 1: Northwest Power Questions

Increased attention is being given to the public power-private power-"partnership" question, especially in the Pacific Northwest. The FPC Examiner's report has come out recommending Idaho Power Company development of the Hell's Canyon site; a series of articles has appeared in the Star charging that "since Mr. Eisenhower took office, not a single new Federal hydro-electric project has been started", and the 1956 political campaign in the Northwest has in a sense already begun. We have been charged with inconsistency as between our position re the Upper Colorado and at Hell's Canyon. Next Tuesday our legislative program for water resources development is going to be discussed with the legislative leaders.

In view of all these developments, Secretary McKay and I think it advisable to summarize for the benefit of the Cabinet our principles and policies in this field, and have a run-down on the implementation of these policies. This will allow you and the Cabinet to get the full picture and ensure that there is across-the-board understanding of our objectives.

Secretary McKay will also give the Cabinet a look at the decade ahead in the Pacific Northwest: the tremendous future needs for power -- which can be met only through Federal-local "partnership".

Item 2: Informational Roundup on Basic Farm Commodities

The Secretary of Agriculture wishes to give the Cabinet the latest picture of the surplus food situation -- particularly the six commodities making up much of the Federal holdings. He has prepared a concise background paper citing the significant facts on each of these six products: wheat, cotton, rice, corn, peanuts and tobacco.

Item 3: Progress Report on State Labor Legislation

The Secretary of Labor has called our attention to a noteworthy development in the labor field: the passage by many of the states of a variety of labor and welfare legislation. Secretary Mitchell wishes to mention this new development to the Cabinet and briefly discuss its significance.

Item 4: Operation ALERT, 1955

Dr. Flemming wants to give a brief status report of two or three minutes on this subject at Cabinet each week between now and the date of the Operation, June 15, in order to emphasize the importance of full Cabinet participation.

Maxwell M. Rabb
for BHP.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED
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CA - 23

May 26, 1955

The White House
Washington

THE CABINET

Agenda

10:00 A.M., Friday, May 27, 1955

1.	Report on his European Trip	(Oral)	The Secretary of Commerce
2.	Growth of Consumer Debt	(Oral)	The Chairman, Council of Economic Advisers
3.	The Government Employment Picture	(Oral)	The Chairman, Civil Service Commission
4.	Operation ALERT, 1955	(Oral)	The Director, Office of Defense Mobilization
5.	Progress Report on Preparations for the White House Conference on Education	CI - 26	The Secretary of Health, Education and Welfare, and Mr. McElroy
6.	Year-end Buying	(Oral)	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

May 27, 1955
10:05 A. M. - 11:40 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Deputy Atty Gen Rogers
    (for Mr. Brownell)
Mr. Summerfield
Under Sec. of Interior Clarence Davis
    (for Sec. McKay)
Under Sec. of Agriculture Morse
    (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young
Dr. Burns

Dr. Samuel Brownell, Commissioner of
    Education, HEW (in part)
    (with two assistants)
Mr. Neil H. McElroy, in part
Mr. Clint Pace, in part

Gov. Adams
Gen. Persons
Mr. Hagerty (in part)
Dr. Hauge (in part)
Mr. Harlow (in part)
Mr. Morgan
Mr. Martin
Mr. Rockefeller (in part)
Mr. Murray Snyder (in part)
Commander Beach (in part
Mr. Rabb
Mr. Patterson
Mr. Minnich

The President reported Lew Douglas' comments on the fine record being achieved by the Administration but the shortcomings of publicization of them, particularly in regard to unemployment. Mr. Douglas believed the National Committee should intensify its publicity effort.

White House Conference on Education (CI-26) - Mrs. Hobby emphasized the importance of the documents attached to the briefing paper and suggested that all Cabinet members would find the material useful since all were involved somehow in educational matters. Mr. McElroy described at considerable length the makeup and procedures of the Committee established for the Conference. He indicated that the dates of November 28 - December 1 had been chosen for the Conference in order to have all possible time allowed by the law for effecting arrangements. He stated that the Committee had decided it must concentrate upon elementary and secondary education problems and that higher education must be attended to at some other time -- except for those aspects involving the training of teachers.

Mr. McElroy called attention to the separate organizations -- the National Commission for Public Schools and the National School Board Association -- which have a Foundation grant for stimulating community meetings and activity.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/21/78

~~CONFIDENTIAL~~

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/21/78

Mr. Summerfield cited the major problem as that concerning used cars. He believed it could be solved if South America could be developed as an outlet, thus helping the economies of South American countries as well as our own. Gov. Stassen noted the South American shortage of dollars and suggested that the large automobile companies might accept local currency for exports of used cars and then invest the local currency in economic development of the country concerned. Gov. Stassen also took note of the extreme competition between Ford and General Motors which is increasing the pressure for easy financing. He feared that an undue increase of credit at this time would be very disadvantageous later this year and next.

Sec. Wilson stated his preference for automobile paper to housing paper where no down payment is required.

Mr. Summerfield noted that the automobile industry had led the recent economic recovery, that it might be expected to show the largest credit increase, and that great caution should be observed to prevent a tightening of automobile credit which might lead to an economic downswing.

The President believed this matter would bear further study by the experts and he asked Dr. Burns to report again later on.

Government Employment - Chairman Young presented a series of charts showing the quantity and nature of Federal employment since 1950. He emphasized the large reduction accomplished in fiscal '54, the present stability, the reassuring age pattern of Federal employees, the relatively large number of resignations currently constituting 45% of all separations, and his expectation that accessions would slightly exceed separations during fiscal '55.

The President remarked that still more could be accomplished by refusing to fill vacancies. Sec. Humphrey emphasized the need for recapturing the enthusiasm of 1953.

Chairman Young continued, with charts, to show the lower "quit rate" of Government as compared to industry, from which he drew the conclusion that the attractiveness of Government service holds up and is indeed improving. Mr. Young pointed out that to allow all vacancies to go unfilled would reduce employment levels by 18% but would save only 12% of salary charges after a full year. Gov. Stassen suggested that fewer people in Government tend to spend less money, thus reducing in other ways the cost of Government.

The President asked whether a moratorium lasting to July 1st on filling vacancies would be feasible. Mr. Young stated that certain jobs had to be filled to maintain necessary activity. The President stated his agreement with Sec. Humphrey on the need for enthusiasm, his feeling that the Administration is obligated to continue to streamline the Government, and his conviction that some jobs are superfluous.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/21/78

~~CONFIDENTIAL~~

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/21/78

[redacted]

Year-End Buying - Director Hughes recalled the savings made in 1953 from examination of year-end buying. He emphasized that effective control had to be achieved through the department heads who could examine budgets in detail, whereas the Budget Bureau could only watch the large figures. He indicated that he would circulate a memorandum on the subject.

The President saw no reason for the Administration ever to despise a few million dollars. He again emphasized the need for clamping down on the filling of vacancies, for he was convinced the Administration could get along with fewer employees.

LAM
L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman
- Mr. Rabb
- Mr. Minnich

~~CONFIDENTIAL~~

RA - 23

MAY 27, 1955

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The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting on Friday, May 27, 1955:

Item	Document Number
1. Progress Report on Preparations for the White House Conference on Education	CI - 26

/ Information Item Only /

2. Report on his European Trip by the Secretary of Commerce

/ Information Item Only /

3. Growth of Consumer Debt

ACTION: The Chairman of the Council of Economic Advisers was requested to keep this matter under intensive study and to report again to the President and the Cabinet concerning further significant developments or recommended measures for action.

4. The Government Employment Picture

ACTION: The President requested each Cabinet Member to take steps to curb new hiring.

5. Operation ALERT, 1955

ACTION: Cabinet Members were reminded of the various action assignments already made to them by ODM concerning the June 15-17 Exercise.

6. Year-End Buying

ACTION: As will be specified in a coming memorandum to the Departments and Agencies from the Director of the Bureau of the Budget, each Cabinet Department Head was requested to take steps to halt unnecessary spending between now and June 30.

CABINET PAPER

For Action

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

May 26, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Tentative Agenda for the May 27 Cabinet Meeting

The following items are tentatively scheduled for the Cabinet Meeting of May 27, subject to your approval:

Item 5 will be first on the agenda.

Item 1: Report on Secretary Weeks' European Trip

Secretary Weeks has just returned from an extensive trip to Europe. What he has to say will be of interest not only to you but to several Cabinet Members. To save your time as well as his and that of the Cabinet, we have suggested that Secretary Weeks give a single report Friday morning.

Item 2: Growth of Consumer Debt

Dr. Burns will discuss loose credit practices which are arising and may call for measures of restraint on the part of the Government.

Item 3: The Government Employment Picture

You will recall your interest at the May 13 Cabinet Meeting in a reduction in the filling of vacancies as an economy measure worth further exploration. As a follow-up to his remark at that meeting about the large numbers of Federal positions (20,000) which become vacant in "turn-over" each month, Chairman Young will be prepared to give the Cabinet a more exact picture.

Item 4: **Operation ALERT, 1955**

As agreed, Dr. Flemming will give you and the Cabinet an up-to-date fill-in on the planning for the Relocation Exercise June 15-17. As a result of an expected appointment with you during this week, he will be in a position to tell the Cabinet more about plans for top-level participation.

Item 5: **Progress Report on Preparations for the White House Conference on Education**

You and the Cabinet should have an accurate progress report on the preparations which are going forward in each of the states and in HEW for the White House Conference on Education (November 28 - December 1, 1955). Each state is undertaking to hold a state-wide conference as a preliminary to the White House meeting. Mr. Neil McElroy, the President of Proctor and Gamble, is the Chairman of the Committee on the White House Conference. Since your recent appointment with Mr. McElroy was chiefly a courtesy call, and since this subject affects several Departments, we have scheduled a brief status report which will reach both you and the Cabinet simultaneously. A short series of slides will accompany Mr. McElroy's remarks.

Item 6: **Year-end Buying**

This will require no more than five minutes. Director Hughes would like to caution the Cabinet Members against the traditional rush just to spend money before the deadline of June 30.

Maxwell M. Rabb
Secretary to the Cabinet

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CI - 26

May 24, 1955

The White House

Washington

THE CABINET

The White House Conference on Education

For information of Cabinet Members, attached is a memorandum prepared by the Department of Health, Education and Welfare which constitutes a status report on the preparations for the White House Conference on Education November 28 - December 1, 1955. This memorandum also mentions the roles played by the Committee on the White House Conference on Education (chaired by Mr. Neil McElroy) and by the various preliminary State and regional conferences.

The memorandum has three attachments:

1) A blue fact sheet on the White House Conference on Education

2) The Citizens' Workbook for Educational Conferences

3) A state by state summary of local conference activities

This material is circulated as background for discussion of this subject at the coming meeting of the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Information

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THE WHITE HOUSE CONFERENCE ON EDUCATION

In his State of the Union Message to the 83d Congress, the President pointed to the shortage of teachers and buildings and called for a conference on Education in each State and Territory, culminating in the Nation's first White House Conference on Education.

The 83d Congress appropriated $900,000 for this purpose, of which $700,000 was made available to the States, on a population basis. These funds were to help defray the costs of State and Territorial Conferences at which educators and lay citizens would join in grassroots discussion of their school needs.

The President then named the Committee for the White House Conference on Education, whose members are listed on the attached blue pamphlet. It is this Committee's responsibility to:

—give assistance, when invited, to States and Territories in planning and conducting State Conferences on Education;
—plan and conduct the White House Conference on Education, scheduled for November 28-December 1, 1955, in Washington; and
—report to the President on the "significant and pressing problems in the field of education."

The Committee met first on December 2, 1954. Since then, the following events have occurred:

--Each of the 53 States and Territories is this year holding a State or Territorial Conference on Education.
—Thirteen States and Territories already have held Conferences.
--Of these thirteen, eight are planning and holding regional conferences or second State Conferences, or both.
—16 more States have scheduled dates of their Conferences.
—45 have applied for Federal funds available to help defray costs of their Conferences.
—45 have appointed State Committees to conduct their citizen studies of educational problems.
—Of those States which have not yet held Conferences, 28 have conducted planning meetings.
—A total of 26 States so far have reported that their conference programs include not only statewide meetings, but also regional conferences — as many as 102 in a single State.
—A program to encourage conferences on education in each of the Nation's 63,000 school districts has been initiated by the National School Boards Association and the National Citizens Commission for the Public Schools, patterned after the program of the State and White House Conferences.
--More than 150 national organizations, with total membership of over 90 million, are active in furthering the Conference program and are on record as approving this method of obtaining the public's view on identification and solution of educational problems at local, State and national levels.

All of the State efforts have been voluntary on the part of the Governors. None is obligated to take part in the program, but each has been encouraged to do so by the President, Secretary Hobby, the Commissioner of Education, and the President's Committee.

The purpose of the program is to focus public attention upon school needs and to attempt to determine what the American people desire to do to meet their shortages in education.

Each State Conference chairman has been furnished a copy of the attached Citizens' Workbook for Educational Conferences. A copy of this booklet is available to each participant of a State Conference. More than 20,000 have been requested so far, by 35 States and Territories.

CABINET PAPER

For Information

The subjects listed in the Workbook and on the blue pamphlet will be discussed at the White House Conference.

Tentative plans call for a participation in the White House Conference by 2,000 persons. Of these, 70 per cent, or 1,400, will be designated by the States. Others will be members of national organizations taking active part in the program, members of Congress with legislative responsibilities in education, discussion leaders and others necessary to conduct a meeting of this size. All participants will discuss all six subjects in groups of ten persons each.

The number of State participants in the White House Conference is based on population, with a minimum of ten. The following is a schedule of participants to be invited from each State and Territory:

Alabama	25
Arizona	10
Arkansas	15
California	98
Colorado	11
Connecticut	17
Delaware	10
Florida	27
Georgia	29
Idaho	10
Illinois	73
Indiana	33
Iowa	21
Kansas	16
Kentucky	24
Louisiana	23
Maine	10
Maryland	20
Massachusetts	40
Michigan	55
Minnesota	25
Mississippi	18
Missouri	33
Montana	10
Nebraska	11
Nevada	10
New Hampshire	10
New Jersey	41
New Mexico	10
New York	123
North Carolina	34
North Dakota	10
Ohio	68
Oklahoma	18
Oregon	13
Pennsylvania	86
Rhode Island	10
South Carolina	18
South Dakota	10
Tennessee	27
Texas	67
Utah	10
Vermont	10
Virginia	29
Washington	20
West Virginia	16
Wisconsin	28
Wyoming	10
Dist. of Columbia	10
Alaska	10
Hawaii	10
Puerto Rico	18
Virgin Islands	10

Attached is a State by State summary of Conference activities, as reported to May 1.

What Is the White House Conference on Education?

The WHCE is a plan to focus citizen interest on local, State, and national problems of education, and to search for possible solutions. It is a result of President Eisenhower's appeal for "the most thorough, widespread, and concerted study that the American people have ever made of their educational problems."

What Is a State Conference on Education?

A State conference associated with this program is a meeting of educators and lay citizens to identify, discuss, and seek solutions to their educational problems.

What Is the Purpose of State and White House Conferences?

Overall purpose is to arouse nationwide interest in, and improvement of, education. The program seeks to:

- Further knowledge and appreciation of, and interest in education.
- Arouse citizen responsibilities to education.
- Analyze the condition of our educational system.
- Accelerate school improvements by example and inspiration.
- Report to the President on the "significant and pressing problems in the field of education," with recommendations, insofar as possible, for their solution.

How Did the Conference Program Come to Be?

Responsibility for this program lies with the Committee for the White House Conference on Education appointed by President Eisenhower. Its membership is made up of individuals with interests in business, agriculture, industry, labor, education, publishing, and other fields. Independent in operation, the Committee reports directly to the President.

What Will the Presidential Committee Do?

It will assist States and Territories, on request, in holding conferences, plan and conduct the National Conference, and prepare the report to the President.

What Services Does the WHCE Staff Provide?

The staff serves as a clearinghouse, coordinating State and national activities. Its office is Room 4054, Health, Education, and Welfare Building, South, Washington 25, D. C.

The staff will:

- Develop research materials and other educational guides.
- Assist in planning and organizing the National Conference, and in preparing reports.
- Assist individuals and organizations cooperating with the Conference program.

On request, the staff will:

- Furnish direct assistance to States and Territories in planning and holding conferences.
- Provide a field staff for on-the-spot assistance.

What Will Be Discussed?

Many facets of education will be studied at the local, State, and national levels. Emphasis is on urgent problems of elementary and secondary schools, considered in relation to the entire educational system through college.

The Presidential Committee has recommended six main topics for discussion:

Committee for the White House Conference on EDUCATION

Dwight D. Eisenhower
Honorary Chairman

Oveta Culp Hobby } *Honorary*
S. M. Brownell } *Vice-Chairmen*

Neil H. McElroy, *Chairman, Cincinnati, Ohio*
President, Procter & Gamble Company
Finis E. Engleman, *Vice-Chairman, Hartford, Conn.*
State Commissioner of Education
Mildred C. Ahlgren, *Whiting, Ind.*
Past President, General Federation of Women's Clubs
Ethel G. Brown, *Los Angeles, Calif.*
First Vice-President, National Congress of Parents and Teachers
Ralph J. Bunche, *Kew Gardens, N. Y.*
Under-Secretary, UN
John S. Burke, *New York, N. Y.*
President, B. Altman & Company
John Cowles, *Minneapolis, Minn.*
President, Minneapolis Star and Tribune
John A. Hannah, *East Lansing, Mich.*
President, Michigan State College
James W. Hargrove, *Shreveport, La.*
Vice-President, Texas Eastern Gas Transmission Company
Albert J. Hayes, *Silver Spring, Md.*
President, International Association of Machinists
Margaret Hickey, *St. Louis, Mo.*
Editor, Public Affairs Department, Ladies Home Journal
Henry H. Hill, *Nashville, Tenn.*
President, George Peabody College for Teachers
Mildred M. Horton, *New York, N. Y.*
Past President, Wellesley College
James R. Killian, Jr., *Cambridge, Mass.*
President, Massachusetts Institute of Technology
Allan B. Kline, *Vinton, Iowa*
Past President, American Farm Bureau Federation
W. Preston Lane, Jr., *Hagerstown, Md.*
Ex-Governor, Maryland
Roy E. Larsen, *Fairfield, Conn.*
President and Director, Time, Inc.; Chairman, National Citizens Commission for the Public Schools
Thomas Lazzio, *Paterson, N. J.*
President, Local 300, UAW-CIO
Joseph C. McLain, *Mamaroneck, N. Y.*
Principal, Mamaroneck High School
William E. McManus, *Washington, D. C.*
Assistant Director, Department of Education, National Catholic Welfare Conference
Lorimer D. Milton, *Atlanta, Ga.*
President, Citizens Trust Company
Don G. Mitchell, *Summit, N. J.*
Chairman of Board, Sylvania Electric Products, Inc.
Frank C. Moore, *Buffalo, N. Y.*
President, Government Affairs Foundation, Inc.
Herschel D. Newsom, *Takoma Park, Md.*
Master, National Grange
William S. Paley, *Manhasset, N. Y.*
Chairman of Board, Columbia Broadcasting System, Inc.
James F. Redmond, *New Orleans, La.*
Superintendent of Schools
Martha Shull, *Portland, Oreg.*
High School Teacher
Frank H. Sparks, *Crawfordsville, Ind.*
President, Wabash College
Potter Stewart, *Cincinnati, Ohio*
Judge, U. S. Court of Appeals
Jesse G. Stratton, *Clinton, Okla.*
Past President, National School Boards Association, Inc.
Harold W. Sweatt, *Palm Beach, Fla.*
Chairman of Board, Minneapolis-Honeywell Regulator Company
H. Grant Vest, *Denver, Colo.*
State Commissioner of Education
Mayme E. Williams, *Miami, Fla.*
Teacher and President, National Congress of Colored Parents and Teachers

Clint Pace, *Director*

U. S. GOVERNMENT PRINTING OFFICE : 1955 O-331648

- What should our schools accomplish?
- In what ways can we organize our school systems more efficiently and economically?
- What are our school building needs?
- How can we get enough good teachers—and keep them?
- How can we finance our schools—build and operate them?
- How can we obtain a continuing public interest in education?

Who Will Take Part in the WHCE?

Public Law 530 stipulates that it shall be "broadly representative of educators and other interested citizens from all parts of the Nation." Representatives of business, industry, labor, agriculture, education, religion, and others will be invited to participate. A majority of the participants will be selected by the States and Territories.

Who Will Participate in State Conferences?

The responsibility for participation in State conferences lies solely with the States and Territories. Governors or their designated officials will determine the composition of State conferences. The Presidential Committee and its staff is prepared to suggest guides for action in this area when invited to do so.

When Will the WHCE Be Held?

State and Territorial conferences held in 1954–55 will culminate in the White House Conference at Washington, D. C., November 28–December 1, 1955.

What Will Be Reported to the President?

The report to the President will consider the findings and recommendations of the States, Alaska, Hawaii, Puerto Rico, the Virgin Islands, and the District of Columbia. It also will consider the results of the White House Conference on Education and the Committee's own studies.

How Is the Conference Program Financed?

The 83d Congress appropriated $900,000 for the program.

$700,000—allocated to States and Territories to help finance their conferences. Based on population, the minimum grant to any State or Territory is $5,000.

$200,000—to defray WHCE costs and provide for a central and field staff in the fiscal year 1955.

How Do States Obtain Funds?

Requests for funds for States and Territories must be made by the Governors or their designated officials. Applications should be directed to: U. S. Commissioner of Education, Office of Education, Washington 25, D. C. Inquiries on expenditures should be directed to the U. S. Office of Education.

What Are State Obligations?

Each State or Territory which accepts Federal assistance is obligated to supply a written report of its conference for WHCE use.

White House Conference on Education
Health, Education, and Welfare Building, South
Washington 25, D. C. ● Executive 3-6300

The White House Conference on EDUCATION

"It is the inalienable right of every person, from childhood on, to have access to knowledge . . . this right of the individual takes on a special meaning, for the education of all our citizens is imperative to the maintenance and invigoration of America's free institutions."

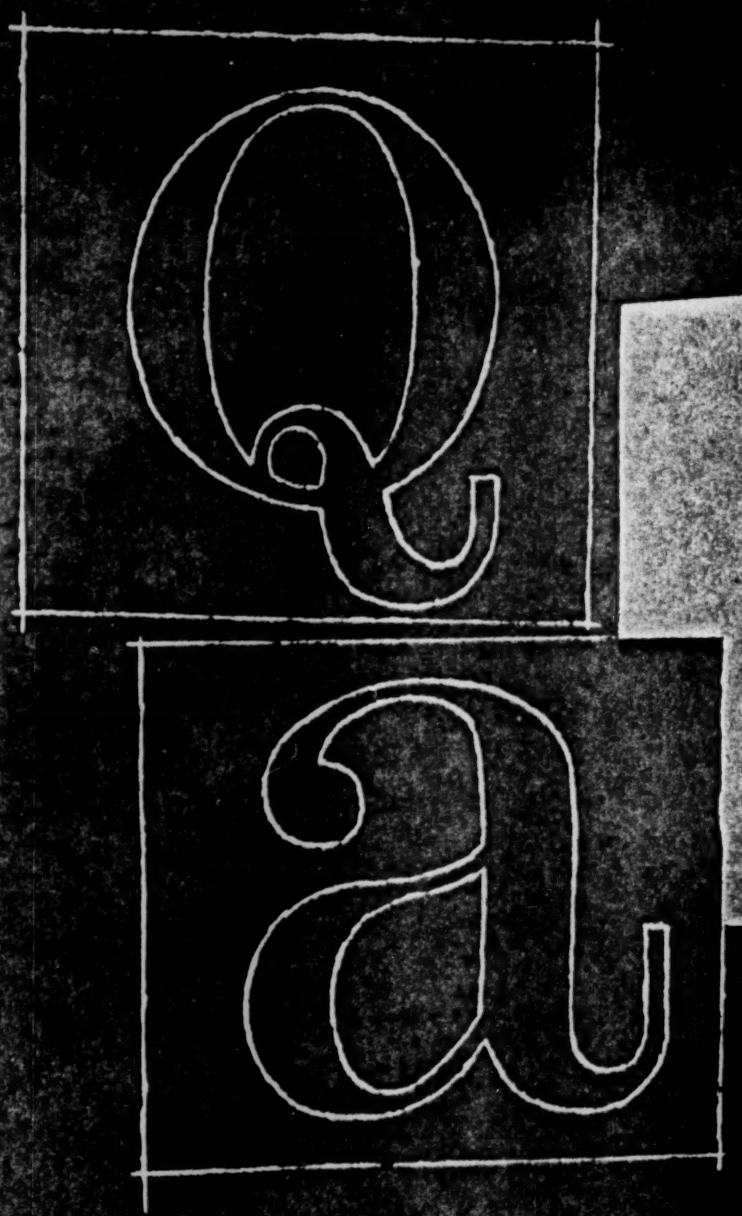
Dwight D. Eisenhower

State-of-the-Union Message
Jan. 6, 1955

". . . I hope . . . a conference on education will be held in each State, culminating in a national conference. From these conferences on education, every level of government—from the Federal Government to each local school board—should gain the information with which to attack these serious [educational] problems."

Dwight D. Eisenhower

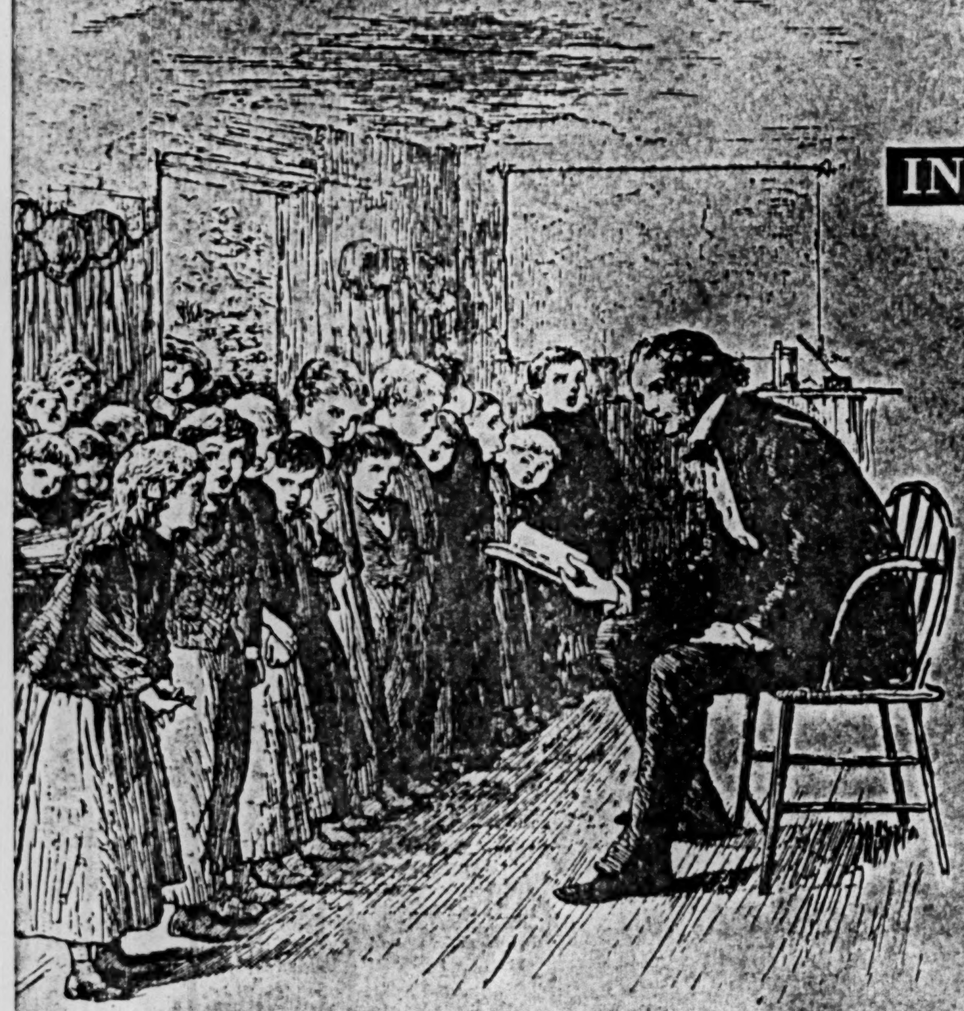
State-of-the-Union Message
Jan. 7, 1954



CITIZENS'

Workbook

for Educational Conferences



INTRODUCTION

An appraisal of school statistics reveals unpleasant facts. Based on widely accepted standards of the past decade or two, we are now in danger of shortchanging a whole generation of our children.

Why is this so? We have heard a great deal about shortages of classrooms, of teachers, of supplies, of money, and of understanding. We have heard too that these shortages were created on the one hand by an increasing birthrate and on the other by a public which has been apathetic about its schools, and it is often stated that our schools will be exactly as good as our people want them to be.

The accomplishments of people in thousands of communities in improving their schools gives evidence of what can be done with knowledge and determination. President Eisenhower stated, "The proposed national conference and preparatory State conferences will be most important steps toward obtaining effective nationwide recognition of these problems and toward recommending the best solutions and remedies . . ."[1]

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[1] The President's Budget Message of January 21, 1954.

How to Use This Booklet

Each State and Territorial conference will consider its *own* problems in its *own* way. There will be differences in approach and in the resources available for solutions.

Surveys show that most school problems can be reduced to six major areas of common concern to all. So these areas will make up the agenda of the White House Conference on Education in November, 1955.

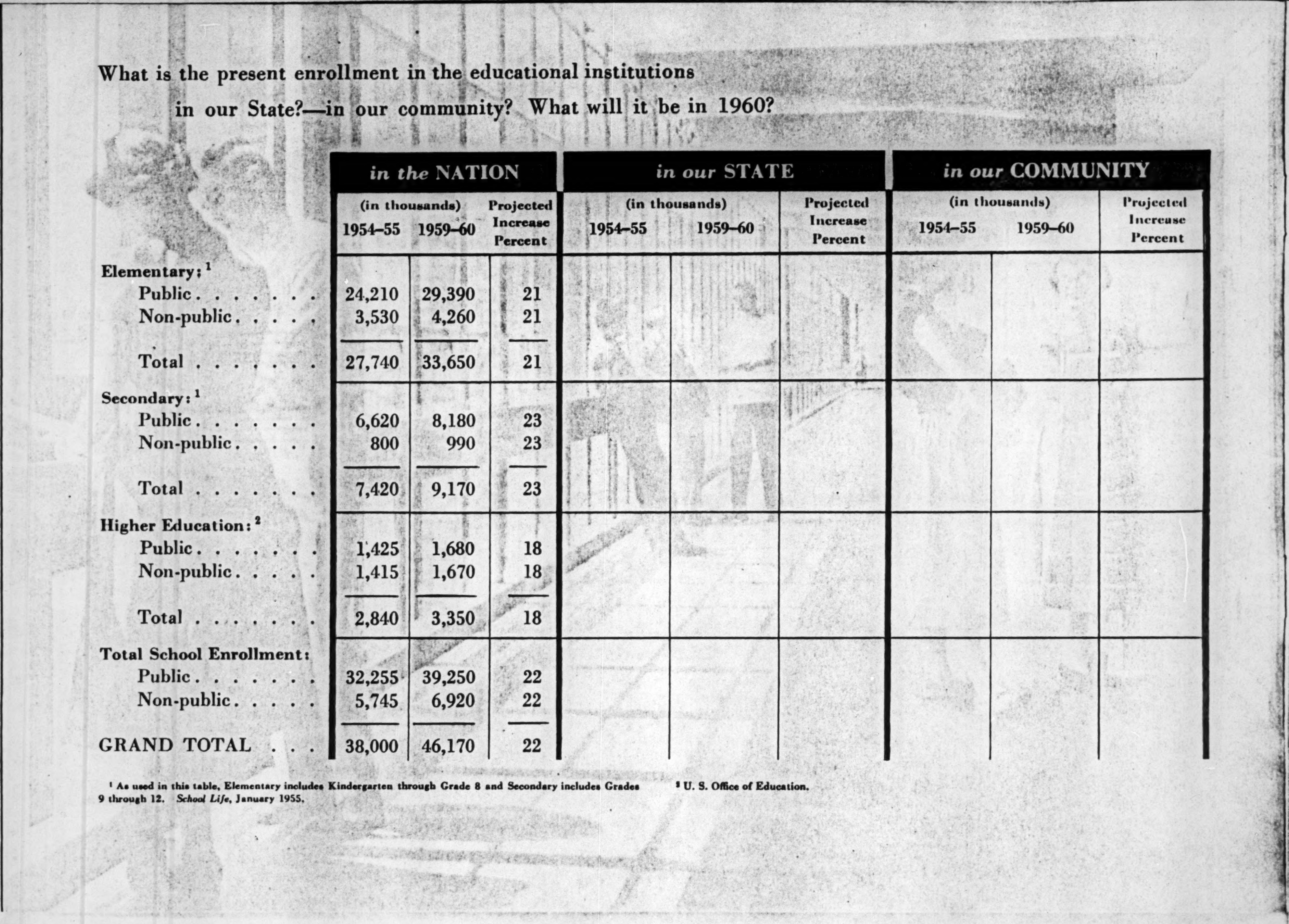
- WHAT SHOULD OUR SCHOOLS ACCOMPLISH?
- IN WHAT WAYS CAN WE ORGANIZE OUR SCHOOLS MORE EFFICIENTLY AND ECONOMICALLY?
- WHAT ARE OUR SCHOOL BUILDING NEEDS?
- HOW CAN WE GET ENOUGH GOOD TEACHERS—AND KEEP THEM?
- HOW CAN WE FINANCE OUR SCHOOLS—BUILD AND OPERATE THEM?
- HOW CAN WE OBTAIN A CONTINUING PUBLIC INTEREST IN EDUCATION?

This booklet is published to assist primarily those persons who will be attending the White House Conference in preparing themselves for the discussions. It is hoped, however, that others—especially those persons who attend State, Territorial and Community Conferences—may find it useful, too.

. . . It includes national information, mostly in round numbers, on the above problem areas. Some of the data, of necessity, are estimated. Space has been provided for adding State and community data. Users of the booklet should find much of the information, for their States and communities, readily available at the offices of their State and local superintendents of schools.

This workbook is necessarily brief. Materials have been included on the assumption the user will discuss the subjects in the order in which they appear. Thus some questions assume that answers have been given on those asked earlier in the booklet.

The Conferences offer an opportunity by which the American people can obtain school facts and face them. This booklet, if used as a workbook, should help.



What is the present enrollment in the educational institutions in our State?—in our community? What will it be in 1960?

	in the NATION			*in our* STATE			*in our* COMMUNITY		
	(in thousands) 1954–55	1959–60	Projected Increase Percent	(in thousands) 1954–55	1959–60	Projected Increase Percent	(in thousands) 1954–55	1959–60	Projected Increase Percent
Elementary:[1]									
Public	24,210	29,390	21						
Non-public	3,530	4,260	21						
Total	27,740	33,650	21						
Secondary:[1]									
Public	6,620	8,180	23						
Non-public	800	990	23						
Total	7,420	9,170	23						
Higher Education:[2]									
Public	1,425	1,680	18						
Non-public	1,415	1,670	18						
Total	2,840	3,350	18						
Total School Enrollment:									
Public	32,255	39,250	22						
Non-public	5,745	6,920	22						
GRAND TOTAL	38,000	46,170	22						

[1] As used in this table, Elementary includes Kindergarten through Grade 8 and Secondary includes Grades 9 through 12. *School Life*, January 1955.

[2] U. S. Office of Education.

First: Let's Look at Enrollment Trends:

FOR EVERY *100* PERSONS NOW IN THE NATION'S CLASSROOMS THERE WILL BE *121* IN 1960. THE YOUTH WHO WILL ATTEND ARE ALREADY BORN. AND BY 1965 THE FIGURE WILL JUMP TO *136*. FOR EVERY *100* PERSONS NOW IN THE NATION'S CLASSROOMS THERE WERE ONLY *72* IN 1945.

Our Nation is Growing Rapidly:

● EVERY 8 SECONDS	1 BIRTH
● EVERY 21 SECONDS	1 DEATH
● EVERY 2 MINUTES	1 IMMIGRANT
● EVERY 24 MINUTES	1 EMIGRANT
● EVERY 12 SECONDS	1 NET INCREASE IN U. S. POPULATION[1]

And People Stay in School Longer[2]

The increases vary among the States and between school districts within States mainly because of the mobility of our population. The increases to 1965 will be proportionately greater in the secondary schools than in the elementary schools. The impact of these enrollment increases must be studied in the States and communities where the people live and attend school.

1. How does the expected enrollment change in our State compare with the U. S. average? Why does it differ?

2. How does the expected enrollment change in our community compare with the State average?

3. By age or grade level, what are the expected enrollment changes in our State by 1960 and 1965? In our community?

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[1] U. S. Department of Commerce. [2] See page 4

	in the NATION			*in our* STATE			*in our* COMMUNITY		
How Much Schooling?	1900	1920 Percent	1950	1900	1920 Per cent	1950	1900	1920 Per cent	1950
5–17 Year Olds in Public School [1]	72	78	82						
25–29 Year Olds:									
With High School Diploma [2]	14	21	52						
With College Degree [2] . .	3	4	8						
Any Change in What They Study? [3]									
Percent of Students Enrolled in Selected High School Subjects:	1900	1922	1949						
English	39	77	93						
U. S. & English History . .	38	18	23						
General Science	nil	18	21						
Chemistry	8	7	8						
Physics	19	9	5						
Algebra	56	40	27						
General Mathematics . . .	nil	12	13						
Spanish	nil	11	8						
Latin	51	28	8						
French	8	16	5						
Industrial Subjects	nil	14	27						
General Business Training .	nil	nil	5						
Home Economics	nil	14	24						
Agriculture	nil	5	7						
Physical Education	nil	6	69						
Music	nil	25	30						
Art	nil	15	9						

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[1] "Statistics of State School Systems, 1949–50," U. S. Office of Education.

[2] From U. S. Census Reports. 1900 and 1920 data by extrapolation.

[3] "Offerings and Enrollments in High School Subjects, 1948–49," U. S. Office of Education.

What Should Our Schools Accomplish?

Schools exist to provide knowledge, skills, and ideals which other agencies and institutions do not provide or cannot provide so well. Over the years, the aims and accomplishments of schools have been altered, as society itself has changed.

These changes involve decisions as to what is basic and central to teaching in our schools. They also involve judgments of what changes may be appropriate in the light of developing social, economic and scientific trends. Ultimately they call for answers to the question "What should our schools accomplish?"

1. What knowledge, skills, and ideals should the schools provide students before they graduate in our State? In our community?

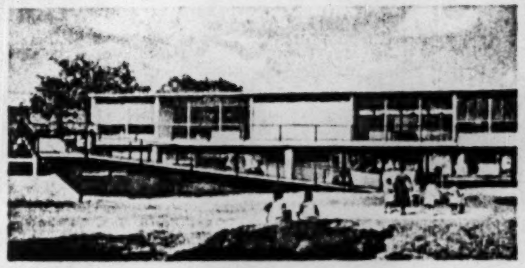
2. What aspects of education are the responsibility of (a) the home? (b) the church? (c) the community?

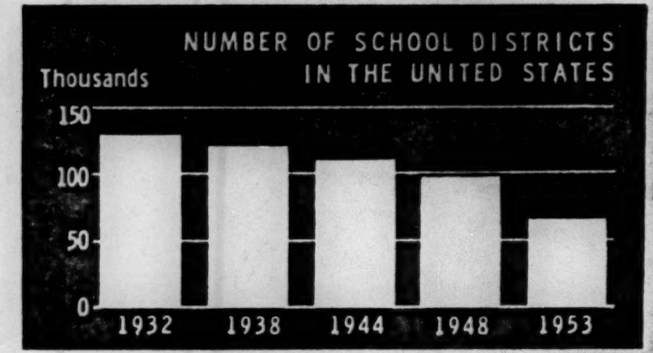
3. What aspects of education are the responsibility of the schools?

4. What special emphasis, if any, should be placed on education for the exceptionally able student, the handicapped, or others? Why?

5. When should public-supported education begin and end in our State? In our community?

6. To accomplish the goals we have set for our schools, what should be the respective responsibility of (a) the local school district? (b) non-public schools? (c) the State? (d) the Federal Government?





Trends in Organization

	in the NATION[1]			in our STATE			in our COMMUNITY		
In the Number of School Districts:									
1932	127, 529								
1938	119, 410								
1944	110, 270								
1948	98, 312								
1953	[2] 66, 472								
In the Size of Schools	1920	1940	1955	1920	1940	1955	1920	1940	1955
One-Teacher Schools (in thousands)	185	112	35						
Percent of Total Pupils Who Attended Above Schools	22%	13%	4%						
Schools with Fewer Than Four Teachers (in thousands)	241	144	46						
Percent of Total Pupils Who Attended Above Schools	37%	22%	7%						

---

[1] "The Status of Schools, School Districts and School District Reorganization," March 15, 1954, and unpublished data, National Education Association.

[2] 11,137 of these Districts did not operate any schools.

In What Ways Can We Organize Our Schools More Efficiently and Economically?

The responsibility for providing education in this country falls, ultimately, upon the American people. To carry out this responsibility, we have developed, over the years, a system of school organization extending from the community, with its local school districts and non-public schools, to the United States Office of Education.

A "school district" is the administrative school unit operated and controlled by a single "local board of education." Districts range in size from one-teacher schools to metropolitan districts with scores of buildings and thousands of teachers. Each State also has a school organization, usually headed by a State Board of Education. The Federal Government has a school organization, headed by the United States Commissioner of Education.

Practices, authorities, and responsibilities differ among districts and among States. Within each there have been created certain offices, with varying responsibilities and authority assigned to each.

For generations, the "Little Red Schoolhouse" symbolized the American ideal of local control of education. It often inspired intense loyalty locally, but began to disappear as society demanded higher educational standards and training in newer skills, and as motor-highway progress made distant school sites more accessible. Many one-teacher districts remain, but they are giving way to reorganized and consolidated school districts.

The objectives of reorganization of districts are an expanded school program, better facilities, more efficient administration, and a broader base for support. Elsewhere, the objectives of reorganization are a better educational program, more flexibility, better service and more efficient administration and supervision.

1. How may our schools (public, non-public) be organized for greater efficiency and economy?

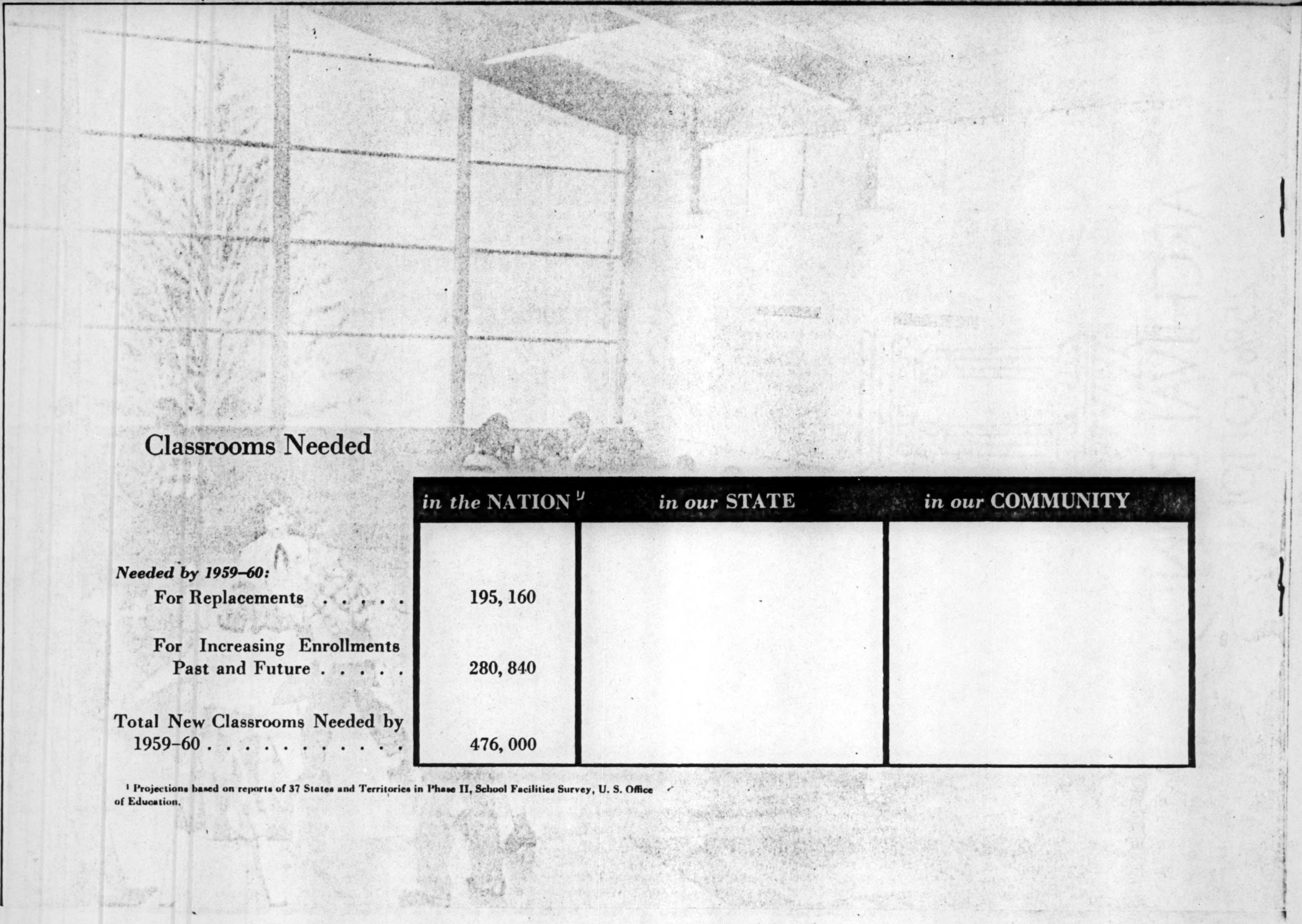
2. Has reorganization been encouraged in recent years in our State? In our community? Should it be?

3. What obstacles has reorganization encountered in our State? In our community?

4. Does our State Department of Education set minimum standards for school districts to meet (geographic size, enrollment, financial support, etc.)? How many districts do not meet these standards? Does ours?

5. What should be the function of the board of education and the superintendent of schools in (a) the community? (b) the county? (c) the State?

6. What should be the function of the United States Office of Education?



Classrooms Needed

	in the NATION[1]	in our STATE	in our COMMUNITY
Needed by 1959–60:			
For Replacements	195, 160		
For Increasing Enrollments Past and Future	280, 840		
Total New Classrooms Needed by 1959–60	476, 000		

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[1] Projections based on reports of 37 States and Territories in Phase II, School Facilities Survey, U. S. Office of Education.

What Are Our School Building Needs?

In most communities there is a need right now for more classrooms, laboratories and shops as well as related facilities such as space for assembly, recreation, lunch, administration, service, etc. The need is obvious from a count of children already born.

Classroom shortages have been caused by not enough school construction during the Depression and World War II and by a shifting and rapidly increasing population.

It is possible to determine the *approximate* shortage of classrooms for the Nation and States, but the *exact* shortage can be stated only at the local level where the children are and the standards are set.

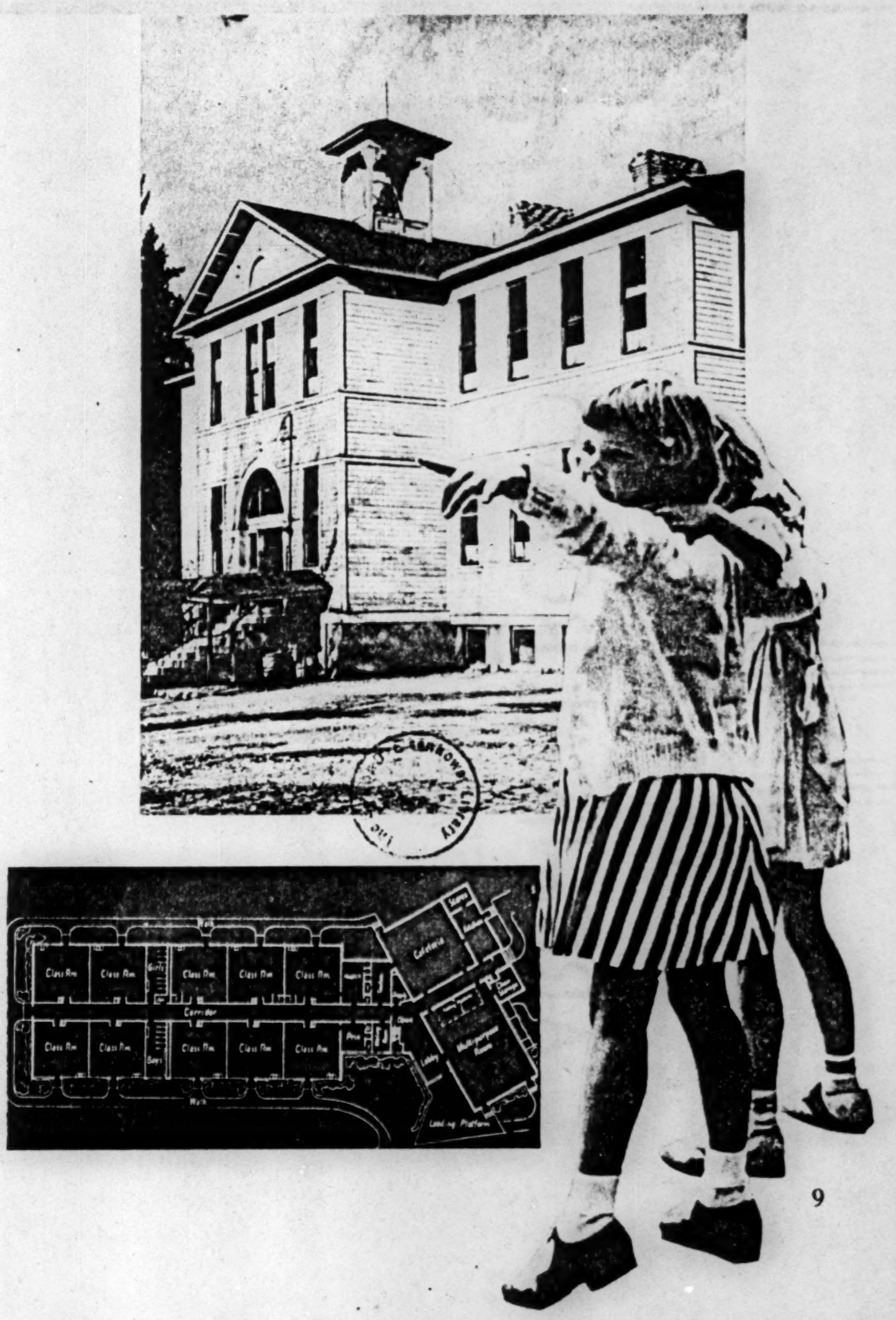
1. How many additional classrooms with related facilities are needed NOW and in the next five years in our State? In our community? What standard did we use for number of pupils per classroom?

2. How many and what percentage of the school buildings in our State are fire hazards? In our community?

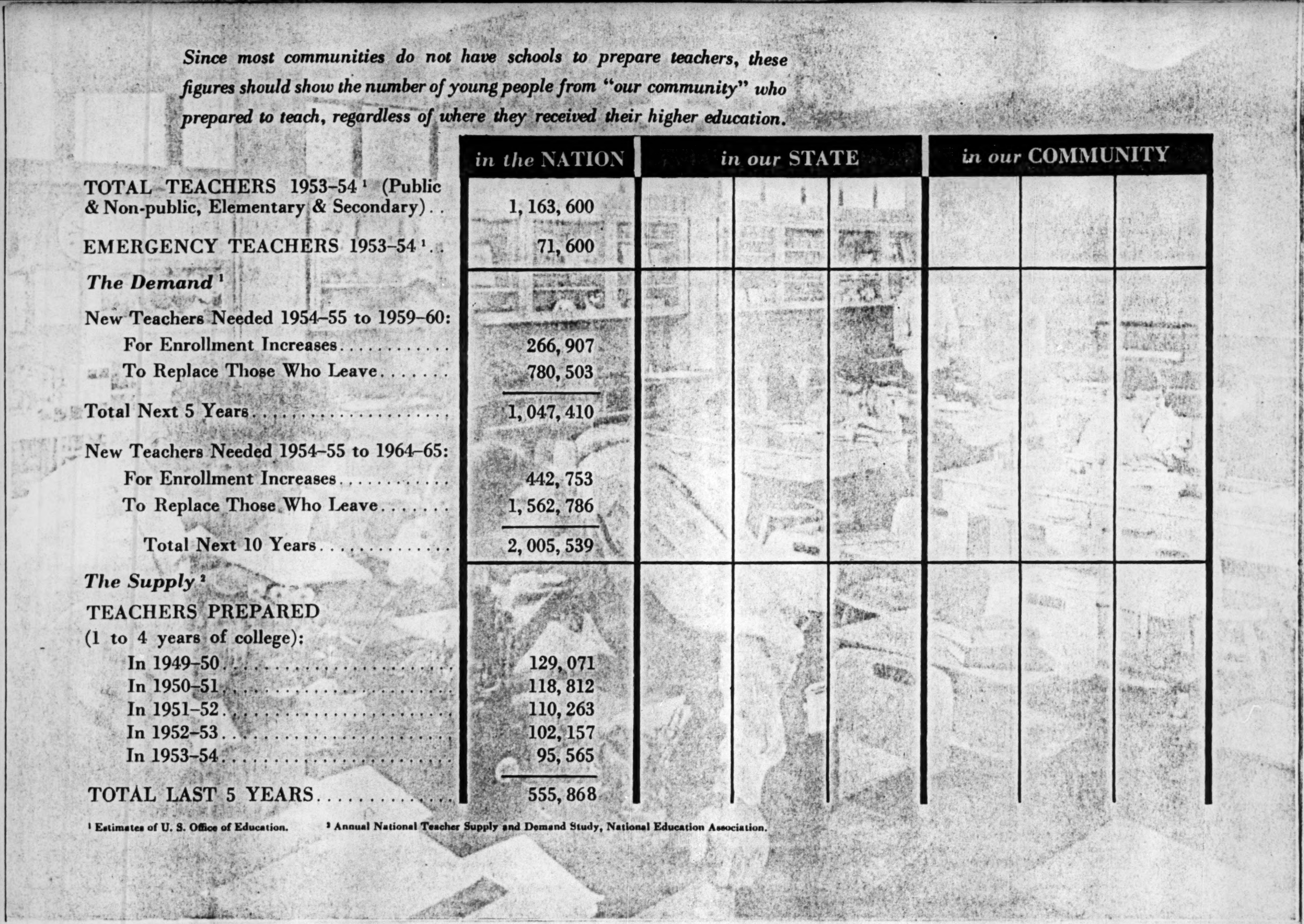
3. How many and what percentage of the school buildings and school grounds in our State meet the requirements of our State? In our community?

4. What is our State doing to meet the State problem?

5. What is our community doing to meet our local problem? Is it enough? Is it soon enough?


Walk
Class Rm
Class Rm
Girls
Class Rm
Class Rm
Class Rm
Corridor
Class Rm
Class Rm
Boys
Class Rm
Class Rm
Class Rm
Prin
Walk
Cafeteria
Multipurpose Room
Lobby
Loading Platform

Since most communities do not have schools to prepare teachers, these figures should show the number of young people from "our community" who prepared to teach, regardless of where they received their higher education.



	in the NATION	*in our* STATE			*in our* COMMUNITY		
TOTAL TEACHERS 1953–54[1] (Public & Non-public, Elementary & Secondary) . .	1, 163, 600						
EMERGENCY TEACHERS 1953–54[1] . .	71, 600						
The Demand[1]							
New Teachers Needed 1954–55 to 1959–60:							
For Enrollment Increases.	266, 907						
To Replace Those Who Leave.	780, 503						
Total Next 5 Years.	1, 047, 410						
New Teachers Needed 1954–55 to 1964–65:							
For Enrollment Increases.	442, 753						
To Replace Those Who Leave.	1, 562, 786						
Total Next 10 Years.	2, 005, 539						
The Supply[2]							
TEACHERS PREPARED (1 to 4 years of college):							
In 1949–50.	129, 071						
In 1950–51.	118, 812						
In 1951–52.	110, 263						
In 1952–53.	102, 157						
In 1953–54.	95, 565						
TOTAL LAST 5 YEARS.	555, 868						

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[1] Estimates of U. S. Office of Education.

[2] Annual National Teacher Supply and Demand Study, National Education Association.

How Can We Get Enough Good Teachers—And Keep Them?

The heart of the educational system is the teacher. Everything else about schools—the buildings, the money, the organization—is designed to enable teaching to take place.

There are many reasons for the difference in the supply of and demand for good teachers. Many were lost to other vocations during the War; the low birthrate of the 1930's is now reflected in the smaller number of college graduates; the teaching profession must compete with other professions for the limited manpower available in this period of high employment. In many areas, competent young people avoid teaching or leave the profession after a few years, giving as their reasons inadequate pay, poor working conditions, or community restrictions on teachers. Some young people steer clear of teaching careers because of repeated emphasis, in word and print, on the poor life which a teacher must lead.

Thus, to find enough *people* to staff our classrooms is one problem; to find enough *good teachers* is another.

1. What is a "good" teacher?

2. Is there a shortage of good teachers in our State? In our community? What are the reasons for the shortage? Does the number of teacher recruits *from* our community balance our need for new teachers?

3. Is there any coordinated program in our State to encourage young people to make a career of teaching? In our community?

4. What institutions of higher learning in our State prepare teachers? Are they preparing all they can?

5. Do those who are prepared actually teach? Where?

6. What conditions and factors are important in retaining good teachers? Do they exist in our State? In our community?

7. What demands do we make of teachers in our State? In our community?

8. Are we making the most efficient use of the professional talents of the teachers we have?

Public School Costs in Past	*in the* NATION			*in our* STATE			*in our* COMMUNITY		
	1900[1]	1920[1]	1954[2]	1900	1920	1954	1900	1920	1954
Current Expense:[3]									
Total (in thousands)	$179, 514	$882, 609	$6, 540, 333						
Per Pupil, ADA[4]	$16. 88	$54. 65	$250. 62						
Capital Outlay:									
Total (in thousands)	$35, 451	$153, 543	$2, 101, 174						
Per Pupil, ADA	$3. 33	$9. 51	$80. 52						
Total Current Expense and Capital Outlay (in thousands)	$214, 965	$1, 036, 152	$8, 641, 507[5]						
Source of Public School Revenue:									
Local (includes County)	(6)	83.2%	59.9%						
State	(6)	16.5%	37.8%						
Federal	(6)	0.3%	2.3%						

Public School Costs in Future	*in the* NATION	*in our* STATE	*in our* COMMUNITY
Current Expenditures in 1959–60 (assuming same per pupil expenditure as 1953–54).	$10.7 billion		
Capital Outlay, 1955 to 1960	$14.3 billion[7]		

[1] U. S. Office of Education. [2] National Education Association Advance Estimates. [3] Includes all expenditures except capital outlay. [4] Average Daily Attendance. [5] Another $1.1 billion was spent in 1954 in private and parochial elementary and secondary schools. "Financing Public Education in the Decade Ahead," National Citizens Commission for the Public Schools, December 1954. [6] No data available.

[7] Based on an average cost of $30,000 per classroom, for 476,000 classrooms (see page 8).

How Can We Finance Our Schools—Build and Operate Them?

Education costs more dollars now because the dollar is worth less; more children go to school; they stay in school longer; and they benefit from an expanded school program, in smaller classes, under the guidance of better trained teachers. The need for even more dollars will continue in most places because of increasing enrollments and other reasons, depending upon the kinds of education a community wants. Education is but one of the services competing for funds. How much of the dollar any service receives is determined, in the long run, by those who pay it.

1. To what extent has the amount expended for education during the last 30 years changed in our State? In our community (in total and per pupil)?

2. During this period, where has the money expended come from (locality—the State—the Federal Government)? How have the ratios changed?

3. What tax sources have been used for education, during this same period, in our State? In our Community?

4. How much would it cost to provide the kind of education we want now and in 1960 in our State? In our community?

5. What obstacles, if any (such as debt and tax limitations, unrealistic assessment practices, etc.), have prevented us from obtaining from present tax sources the amount of money needed in our State? In our community? How can these obstacles be overcome?

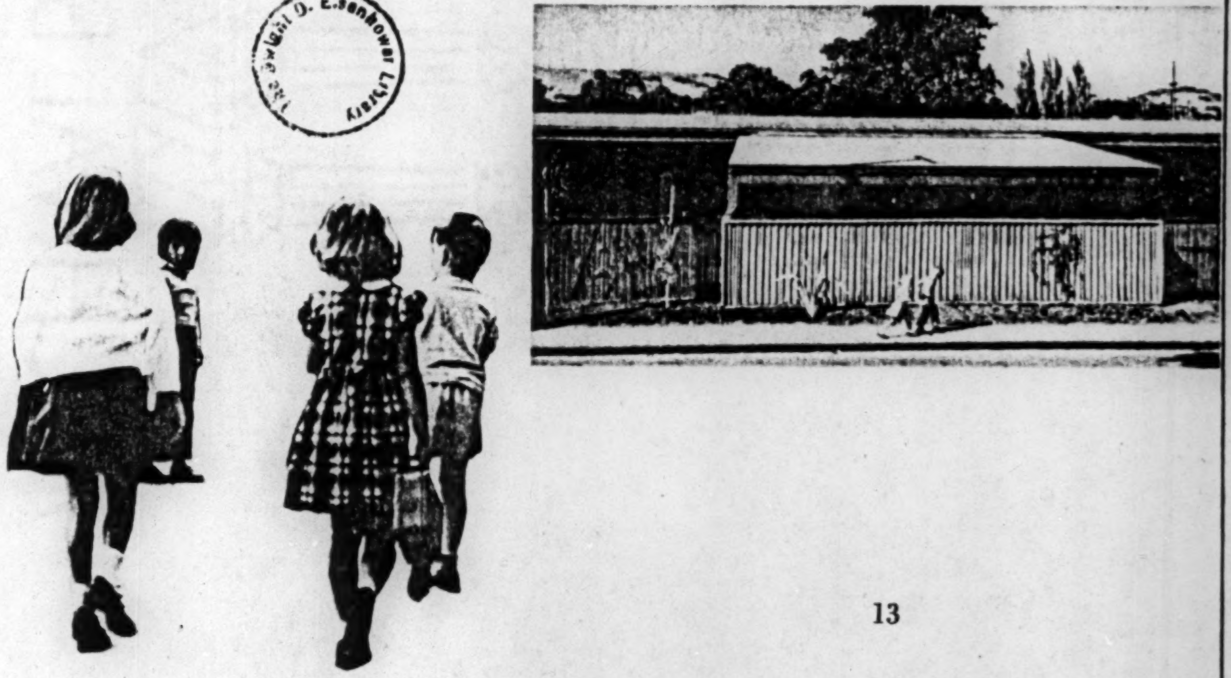
6. Could the amount needed be provided from present revenue sources in our State? In our community?

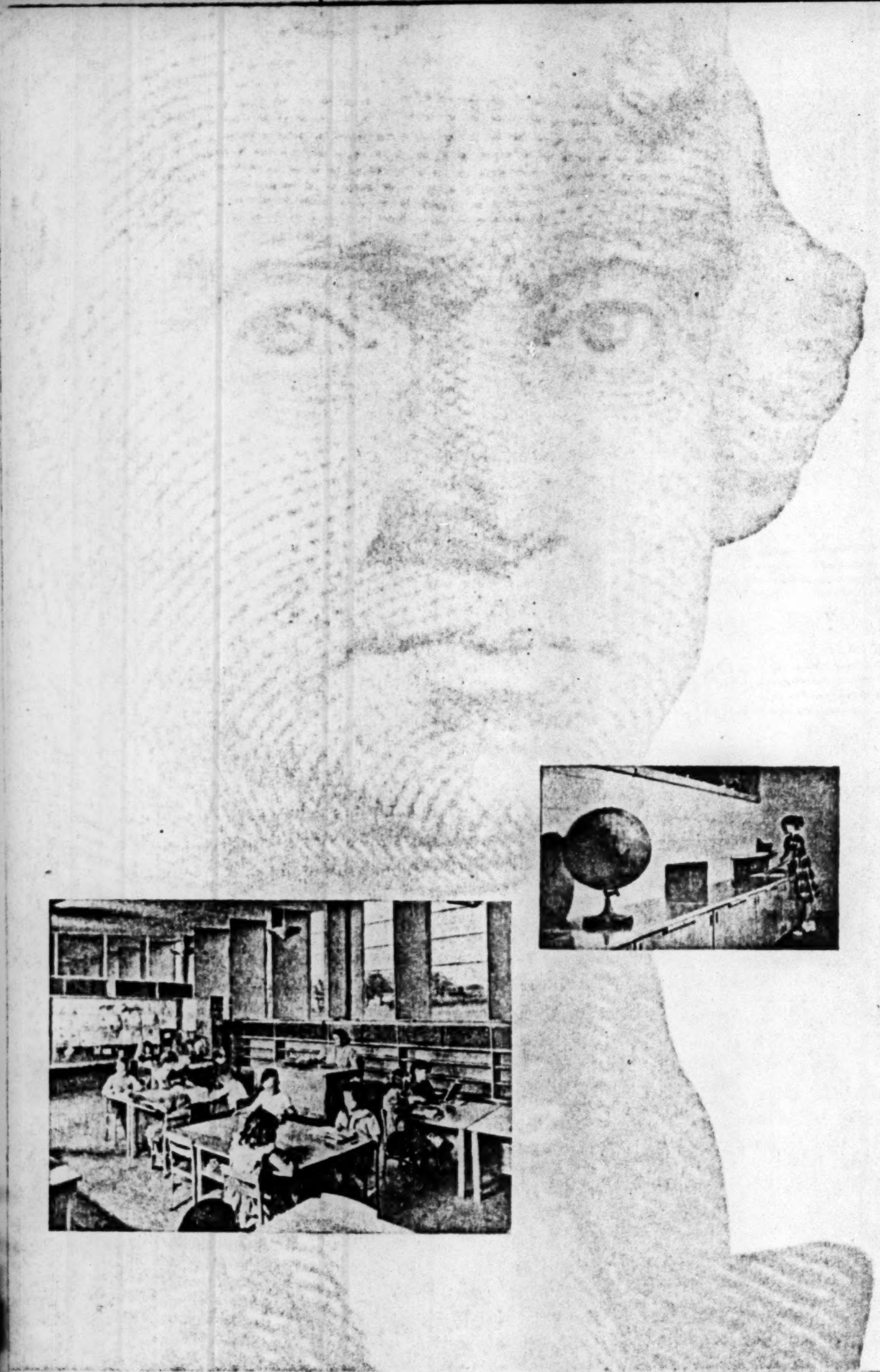
7. Should new sources or types of revenue be made available to our State? To our community? If so, what sources?

8. What are the financial needs of the private and parochial schools in our State? In our community?

9. What should be the financial responsibility for education of (a) the local school district? (b) the State? (c) the Federal Government?

10. If there is a financial responsibility on the part of the State and/or Federal Government, how should the money be raised? How should it be apportioned? What supervisory powers, if any, should be exercised by the State or Federal Government over the money so apportioned?

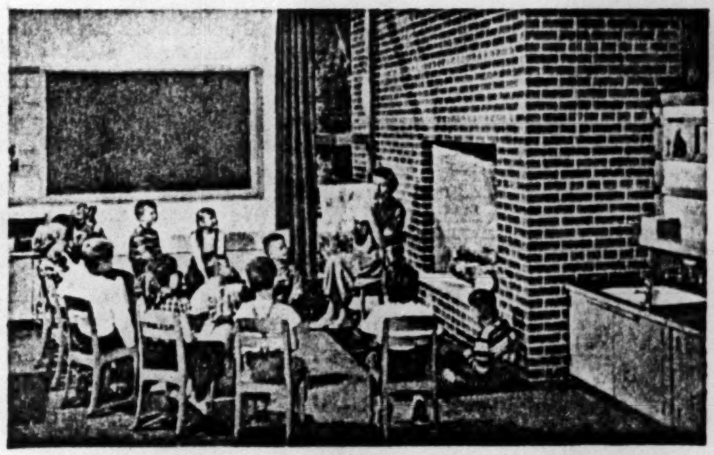




"If a nation expects to be ignorant and free in a state of civilization, it expects what never was and never will be."

Th: Jefferson

What our schools are today will determine, in large measure, what our Nation will be tomorrow. And the course our schools follow depends upon decisions the people make, in their role as citizens. If an apathetic public refuses to concern itself with school affairs, it jeopardizes the welfare of this crucially important institution. Only an interested and informed citizenry can keep America's schools vital and sensitive to the changing needs of our dynamic society. The American people face no more important responsibility.



How Can We Obtain a Continuing Public Interest in Education?

1. Is there a constructive public attitude toward the schools in our State? In our community? If so, how is it expressed? If not, how can it be obtained?

2. What organizations (educational and lay) concern themselves directly with the schools in our State? In our community? What other organizations should?

3. Do these organizations foster broad public interest in and knowledge of the schools at the State level? At the community level? If so, how?

4. Are the efforts of these organizations coordinated in our State? In our community? Should they be?

5. What contributions are made by mass communication media (newspapers, radio, TV, etc.) toward developing a constructive public interest in education?

The committee is indebted to the following photographers and architectural firms for photographs of schools used in this booklet. Caudill, Rowlett, Scott and Philip A. Wilber; Perkins & Will; Schwelkher & Elting; John Carl Warnecke; Curtis and Davis; Paul Robinson Hunter; Hendrich-Blessing; Burnett & Logan; Jon Brenneis; Rondal Partridge; Frank Lotz Miller; Robert C. Cleveland; Bernie Lashua; Rudy Kahn; Harriet Arnold; Kuepper Studio; Burnett & Logan; and Architectural Forum and Life Magazine.

Use This Space For Your Notes

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Mr. Gardiner Johnson, California Teachers Association, 111 Sutter St., San Francisco 4, Calif.

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White House Conference on Education,
write to:

Clint Pace, *Director*
White House Conference on Education
Health, Education, and Welfare Building, South
Washington 25, D. C.

A SUMMARY OF STATE CONFERENCE ACTIVITIES
as of May 1, 1955

White House Conference on Education

State Conferences held	9
State Conferences scheduled	32
States having applied for funds	45
States having appointed Conference Chairmen	49
States having appointed Conference Committees	45
States having held planning meetings	28

All of the fifty-three States and Territories urged to hold State conferences in preparation for the White House Conference have notified the White House Conference Committee of some official action taken.

Twenty-one States have held or will hold regional, district, or county conferences. Three of these States will conduct regional meetings as a follow-up of their State conferences--Connecticut, Pennsylvania, and Wisconsin.

Of the eight States which have not applied for funds, six--Florida, Indiana, Texas Utah, Virginia, and Puerto Rico--have indicated they will use State or Territorial funds to finance their conferences.

States which have held conferences:

Arizona - April 25-26, 1955
Connecticut - Nov. 30-Dec. 1, 1954
Iowa - December 9-10, 1954
Kansas - December 9, 1954
Nebraska - November 22, 1954
Pennsylvania - April 14-15, 1955
Washington - November 22-23, 1954
Wyoming - November 19-20, 1954
Hawaii - April 14-15-16, 1955

Six of the States which have held State conferences are planning follow-up activities:

Arizona - Regional conferences and a State conference on October 17-18.
Connecticut - Six regional conferences during April and May and a State conference in December.
Iowa - Ninety-nine county conferences to be held before September 15.
Kansas - Seven Group Studies and a State conference in the fall.
Nebraska - A State conference in the fall (tentative).
Pennsylvania - Regional conferences in the spring.

Washington may hold follow-up regional conferences and Wyoming is considering holding a State conference after the White House Conference.

Of the 32 States which have scheduled conferences, 20 have set definite dates:

California	Sept. 30-Oct. 1	Sacramento
Delaware	October 8	Dover
Illinois	September 29-30	Springfield
Kentucky	September 21-22	Louisville
Maryland	June 24-25	Baltimore
Massachusetts	September 7-8-9	Amherst
Michigan	May 18	Lansing
Minnesota	May 23-24	Minneapolis
Montana	October 7-8	Helena
New Hampshire	June 6	Concord
New Jersey	May 20-21	Trenton
New Mexico	July 11	Santa Fe
North Dakota	October 3-4	Bismarck
Oregon	June 15-16	Salem
South Dakota	July 14	Pierre
Tennessee	September 13-14	Nashville
Vermont	September 16-17	
West Virginia	September 21-22-23	Charleston
Wisconsin	June 27-28	Madison
District of Columbia	May 26	Washington, D.C.

May 1, 1955

A STATUS REPORT OF STATE CONFERENCE ACTIVITIES

Committee for the White House Conference on Education

State	Chairman Designated	Remarks
Alabama *	Hon. Austin R. Meadows Superintendent of Education State Department of Education Montgomery 4	On April 26 approximately 550 people representing various statewide organizations met to discuss educational problems in Alabama and to determine how the White House Conference program can tie into the work they are to do. A meeting of the 28-member Planning Committee will be held on May 11 at Montgomery to make plans for the State and community conferences.
Arizona *	Hon. Ernest W. McFarland Governor of Arizona Phoenix	The first of two State conferences was held on April 25-26 in the auditorium of Phoenix College. Eighty-five delegates attended, 43 educators and 42 lay citizens. Mr. Lambert Baker, Field Representative for the White House Conference Committee, addressed the conference. After a morning general session, each of the 12 problem areas on the agenda was discussed by workshop groups composed of 7 delegates each. The data gathered and the discussion materials prepared will be used as a basis for discussions at community conferences. Each workshop will organize conferences on the topic assigned to it. The results of these community meetings will be brought to a second State conference to be held on October 17-18 at Phoenix College. The conference will be opened to the public. Following the conference, the 12 workshops will meet to compile a report to the White House Conference.
Arkansas *	Hon. A. W. Ford Commissioner of Education State Dept. of Education Little Rock	A pre-planning group of 12 people met on April 6 at Little Rock and formed a 21-member Steering Committee, which includes the members of the pre-planning group. Mr. Lee Roy Beasley, former State comptroller, has been designated as chairman of the Steering Committee. He will select 19 more persons to serve on the Committee, making a total of 40 members. Dr. A. R. Ford, State Commissioner of Education, is the conference chairman. Subcommittees will conduct studies of each topic suggested by the White House Conference Committee. Further conference plans will be made at a meeting of the Steering Committee on May 6.
California *	Mr. Gardiner Johnson Chairman, California Conference on Education 111 Sutter Street San Francisco 4	On March 31 Mr. Gardiner Johnson, conference chairman, met with the Planning Committee to begin organization of the State conference to be held in the Memorial Auditorium at Sacramento on September 30-October 1. Six subcommittees were formed; each will conduct a study of one of the six problems on the White House Conference agenda. Each committee will be composed of 5 lay citizens and 5 educators. The suggestion was made that the six subcommittees organize small conferences to be held throughout the State on the agenda topics. A decision on this matter was postponed until the next meeting of the Planning Committee.
Colorado *	Mr. Francis M. Day President, Colorado Citizens Council for the Public Schools Westminster	About 20 community conferences have been held or have been scheduled in 5 regions of the State by the Colorado Citizens Council for the Public Schools, the organization responsible for the State conference program. Over 200 persons attended the Southeastern Regional Conference at La Junta on March 30. On April 23 the Northwestern Regional Conference was held at Grand Junction and the Northeastern and Southwestern Regional Conferences were held in March at Loveland and Gunnison. Reports of these 4 conferences are now being prepared and will be submitted to the Council for use at the State conference. The fifth regional conference, which includes the metropolitan area, is scheduled for June 15 at Denver. Further plans for the State conference to be held in September at Denver were made by the Executive Committee of the Citizens Council at a meeting on April 25.

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* States which have applied for funds.

State	Chairman Designated	Remarks
Connecticut *	Mr. Robert W. Hoskins President, Connecticut Council on Education 464 Broad Street Windsor Mr. William H. Flaharty Deputy Commissioner of Education P. O. Box 2219 Hartford	The Seventh Annual Connecticut Conference on Education was held November 30-December 1, 1954, at Hartford. Four of the six follow-up regional conferences have been held: Hartford County at Berlin on April 19, New London County on April 20 at New London, Litchfield County on April 22 at Litchfield, and Fairfield County on April 30 at Darien. The Tollard and Windham County conference will be held on May 5 and the Middlesex and New Haven County Conference on May 11 at New Haven. The Eighth Annual Connecticut Conference has been scheduled for December in order to have the benefit of the findings of the White House Conference.
Delaware *	Hon. George R. Miller, Jr. Supt. of Public Instruction State Department of Public Instruction Dover Mrs. Clarence Fraim Co-Chairman, Delaware Conference on Education 2414 Pennsylvania Avenue Wilmington	Progress reports of eight Work Groups now investigating the eight problem areas on the conference agenda will be made at a meeting of the Delaware Advisory Committee on May 11. The State conference will be held on October 8 at Dover.
Florida	Hon. Thomas D. Bailey Supt. of Public Instruction State Department of Public Education Tallahassee	The biennial session of the Florida Legislature will continue through early July. Until that time, plans for a State conference, to be held in the late summer or early fall, will be postponed. Florida will use State funds to finance its conference.
Georgia	Mr. George P. Whitman, Jr. Chairman, State Board of Education State Office Building Atlanta 3	Mr. George P. Whitman, Jr., chairman of the State Board of Education and of the School Building Authority, has been designated as chairman of the 29-member Planning Committee recently appointed by Governor Griffin.
Idaho *		Governor Smiley will announce soon his appointments of a conference chairman and a planning committee. The first planning session will be conducted on May 14. Regional or community conferences will precede the State conference which will be held in September rather than in June as previously scheduled.
Illinois *	Hon. William G. Stratton Governor of Illinois Springfield	The State conference has been scheduled for September 29-30 at the State Armory in Springfield. Community and county conferences prior to the State conference are being encouraged by the Planning Committee. The community conferences will be held before July 1 and the county conferences before September 15. Delegates to the State conference will be chosen from those attending the community and county conferences. County superintendents are being asked to assume primary responsibility for the county conferences. An Office of Technical Services, headed by Dr. Eric Johnson of the University of Illinois, has been set up to provide various materials and assistance to the community, county, and State conferences. The Planning Committee will meet again in the middle of May.
Indiana	Dr. Russell J. Humbert President DePauw University Greencastle	Four new subcommittees have been organized to conduct studies on what Indiana schools are trying to accomplish, school organization, attaining continued support in education after the conference, and higher education. Subcommittees on school finance, buildings, and teachers had been appointed previously. Between 400-600 persons will be invited to the State conference to be held in Indianapolis during the week of October 24. Each member of the Steering Committee has been asked to submit the names of 10 persons for invitation. Final plans for the conference will be made at a meeting of the Steering Committee on September 17. The Hearing Committee, set up to accept written reports on the problems on the agenda from interested groups and individuals, will begin hearings this month. The oral and written reports made to the Hearing Committee will be turned over to the Steering Committee for use at the State conference. A public relations committee is being organized to keep the public informed of the Hearing Committee's activities. Indiana will use State funds to finance its conference.

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* States which have applied for funds.

State	Chairman Designated	Remarks
Iowa *	Dr. Arthur Carpenter Administrator of Instruction State Dept. of Public Instruction Des Moines	The first Iowa Conference was held on December 9-10, 1954, at Des Moines. On April 28 the chairman of the 8 study committees met in Des Moines to formulate recommendations concerning follow-up conference activities. It was decided county conferences should be held in the 99 counties of the State. The county superintendents will assume primary responsibility for them. The Governor is being asked to appoint a new advisory committee to organize the post-conference program. The December conference report will be edited and sent to the counties for their use in their discussions. The advisory committee will supply report forms to the counties which, when they are completed, will be correlated and submitted as the Iowa report to the White House Conference.
Kansas *	Mrs. Nell Renn Chairman, Governor's Conference on Education 1216 North Third Street Arkansas City	The first Governor's Conference was held on December 9, 1954, at Topeka. Seven Study Groups are now doing research in seven problem areas. They will submit written reports to a second conference to be held in the fall of 1955. Mr. J. H. Nicholson, of the State Department of Public Instruction, is the coordinator of the post-conference plans.
Kentucky *	Dr. Philip Davidson President, University of Louisville Louisville	The Planning Committee will hold its third meeting at Frankfort on May 9 to make further plans for 15 regional conferences to be held prior to the State conference tentatively scheduled for September 21-22 at Louisville.
Louisiana *	Hon. Shelby M. Jackson Supt. of Public Education State Dept. of Education Baton Rouge 4	The Planning Committee has been appointed and will begin organization of the State conference, to be held during the week of September 26, after the State Legislature holds its fiscal session in May.
Maine	Hon. Herbert G. Espy Commissioner of Education State Dept. of Education Augusta	The State conference will be held in the early fall at Augusta.
Maryland *	Hon. Thomas G. Pullen, Jr. Superintendent of Schools State Dept. of Education Baltimore	The first meeting of the Planning Committee was held on April 15, at which time plans were made for the State conference to be held on June 24-25 at Baltimore. The Committee was divided into 6 subcommittees, one for each of the five topics on the agenda and one on administrative procedures. Except for the omission of the problem of school organization, the agenda is the same as that of the White House Conference. A Discussion Guide, containing a series of questions developed under each of the problem areas, was prepared by the Department of Education for use by the Committee. Included in the Guide is a series of statistical tables which present current data on Maryland schools. The Planning Committee will study the proposals presented and add, delete, or modify the material which is to be used as a guide in the State conference.
Massachusetts *	Hon. John J. Desmond, Jr. Commissioner of Education State Dept. of Education Boston 16	Dr. John J. Desmond, Jr., State Commissioner of Education, has been designated as permanent conference chairman. The Governor appointed 64 persons to the Planning Committee which will meet in the near future. The Governor and the Board of Education are co-sponsors of the State conference which will be held September 7-8-9, 1955, at the University of Massachusetts in Amherst.
Michigan *	Mr. Charles S. Mott President, Mott Foundation 500 Mott Foundation Bldg. Flint 3	As of April 30, nine of the 14 regionalconferences scheduled have been held. The State conference is scheduled for May 18 at Lansing. Ten major problems were suggested for group discussion at the regional meetings. The reports of the regional discussions will be made to the Michigan Advisory Committee which will prepare them for use at the State Conference to be held on May 18 at Lansing. Regional Nominating Committees have been formed to select a minimum of four delegates from each county. Fifteen delegates from each region will be chosen by the regional officers. The balance of the delegates will be members of the State Department of Public Instruction, members of the State conference committees, and delegates at large. Over 1100 persons will attend the State conference.

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* States which have applied for funds.

State	Chairman Designated	Remarks
Minnesota *	Mr. Myron W. Clark Chairman, Minnesota Conference on Education c/o State Dept. of Education State Office Building St. Paul 1	The State conference will be held at the Nicollet Hotel in Minneapolis on May 23-24. Between 900 and 1000 delegates will be chosen on a proportional system established for counties, school districts, and three classes of cities. About 100 delegates will be invited by the Governor and the Planning Committee. The 5 subcommittees, consisting of 9-12 persons each, are preparing reports to be sent to the delegates in advance of the conference. The reports will be discussed by work groups at the conference. Two persons from each of the 9 districts will be elected by the conference delegates to attend the White House Conference. The other 7 delegates allotted Minnesota will be the 5 committee chairmen and 2 of the 3 conference officers.
Mississippi *	Hon. J. M. Tubb Supt. of Public Education State Department of Education Jackson	An advisory committee of 12 members appointed a subcommittee to draw up suggested plans and procedures for consideration by a full State advisory committee of 30 members, yet to be appointed. The suggested plan calls for 6 regional conferences each to be attended by about 125 delegates. Between 300 and 400 persons will be invited to the State conference, most of whom will have been delegates at the regional meetings. The State conference is scheduled for late August or early September.
Missouri *	Hon. Hubert Wheeler Commissioner of Education State Dept. of Education Jefferson City	The conference committee, called the Missouri Council of Citizens and Educators, consists jointly of members from the Missouri Citizens Commission for the Public Schools and the Missouri Legislative Education Committee. The Council will meet on June 6-7 to make plans for the State conference and to decide on dates for regional meetings to be held before the State conference. A Research and Production Committee has been appointed and will meet on April 27 to organize materials for the consideration of the Council. The State conference will be held in late August.
Montana *	Mr. Russ B. Hart Chairman, Montana Conference on Education Hart-Albin Co. Billings	On April 2 the Pilot Committee met to discuss an increase in number of delegates to the State conference, the program for the regional conferences, the selection of regional conference officials, the assignment of consultants, and the conference dates. The 9 regional conferences will be held between June 6-17 and the State conference date has been changed to October 7-8. The 11-member Pilot Committee will meet with the regional chairmen and vice-chairmen on May 14 at Helena to complete plans for the regional conferences. The regional conferences will be two-day meetings opened to the public. The county delegates and the public will be assigned to 3 discussion groups. The county delegates will prepare a report of the first day's discussions for consideration at the evening session. At the morning session of the second day, there will be an open discussion of the fourth topic--school finance, and during the afternoon session the delegates will summarize their findings and prepare a report for the State meeting.
Nebraska *	Mrs. A. E. Hanneman Chairman, Governor's Conference on Education 913 A Street Lincoln 2	The first State conference was held on November 22, 1955, at Kearney. The advisability of holding a second conference is now being considered by the Steering Committee.
Nevada *	Mr. M. E. Lundberg Pres. and General Manager Elko & Lamoille Power Co. Elko	The Nevada State Legislature has just voted a reorganization of the public school system. The 205 local school districts now in operation have been replaced by 17 county districts. This legislation resulted from recommendations made by the School Survey Committee which the Governor appointed a year ago. It is expected that the conference committee will be substantially the same as the Survey Committee. Mr. M. E. Lundberg, the Survey Committee Chairman, has been appointed conference chairman. Tentative plans call for regional or community conferences prior to the State conference which will probably be held during the second or third week of September.

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* States which have applied for funds.

State	Chairman Designated	Remarks
New Hampshire •	Miss Suzanne Loizeaux Chairman, New Hampshire Conference on Education Plymouth	Two of the four regional conferences scheduled were held on April 20 at Exeter and April 25 at Plymouth. The North Country Conference and the Southwest Conference will be held at Berlin and Keene, respectively, before May 14. The regional conference reports will be discussed at the State conference scheduled for June 6 at Concord.
New Jersey •	Hon. F. M. Raubinger Commissioner of Education State Dept. of Education Trenton 8	Three regional conferences were held on March 18, March 25-26, and April 1-2. Discussion centered on the 6 topics on the White House Conference agenda. Reports by the regions will be submitted for consideration at the State conference to be held on May 20-21 at Trenton. At the statewide meeting, there will be group discussions during the first afternoon session and the second morning session. Panel discussions will be conducted on "Issues and Problems Raised at the Regional Conferences" and on "How Can We Pay for Our Schools?"
New Mexico •	Mrs. Frances Lee President, New Mexico School Study Council San Mateo	Governor Simms has fixed the date for the Governor's Conference on Education for July 11 at Santa Fe. Study Groups set up by the New Mexico Schools Study Council, which was designated to conduct the conference program, have been doing research on the five topics on the conference agenda. The agenda is the same as that of the White House Conference except for the omission of the sixth topic. Reports by these groups are to be completed and filed with the Council not later than June 15. Eight regional conferences to be held prior to the statewide meeting have been scheduled for March 28, May 3 (2 conferences), May 10 (3 conferences), May 17, and May 21. Statistical data and other materials are being prepared for use at the regional meetings. Mr. J. E. Owens is the executive secretary of the Council.
New York •	Mr. Kenneth C. Royall Chairman, New York Conference on Education 270 Broadway New York 7	At a planning meeting of the Conference Committee in April it was decided to hold 5 regional conferences prior to the State conference. No conference dates were determined. The conferences will be at Buffalo, Albany, Binghamton, New York City, and at an undertermined suburb of New York City. Dr. G. Lester Anderson, Dean of Administration at the University of Buffalo, was appointed Executive Secretary. His office will be at 270 Broadway, New York 7.
North Carolina •	Hon. Charles F. Carroll Supt. of Public Instruction State Dept. of Public Instruction Raleigh	Conference planning will begin after the adjournment of the present session of the State Legislature.
North Dakota •	Mrs. Harold A. Belcher Chairman, North Dakota Conference on Education Fessenden	The 30 members of the Planning Committee have been assigned to five subcommittees to make studies of the following problem areas: Teachers and Related Problems, Curriculum and School Accomplishments, Sustaining Public Interest in Education, School Finance and Building Needs, and Organization of Administrative Unites. Each of the members of the Executive Committee is a chairman of one of the subcommittees, with the exception of the Governor. The chairmen will meet meet with their subcommittee members to plan a course of action for the study of the topic assigned to them. Then the chairmen will meet for the purpose of coordinating the work of the subcommittees. In connection with the research being done by the subcommittees, local and county conferences will be encouraged and assisted by the Planning Committee. The State conference, to be held on October 3-4 at Bismarck, will be a workshop meeting. Each delegate will be given the opportunity to participate in the discussions of each of the problem areas.

• States which have applied for funds.

State	Chairman Designated	Remarks
Ohio *	Mr. William L. Manahan Chairman, Ohio Conference on Education Defiance	The Planning Committee will hold its first meeting on May 5. At that time more detailed plans will be made for five regional meetings to be held at Ohio University, Ohio State University, Miami University, Kent State University, and Bowling Green University. The State conference will be held at Columbus in the fall.
Oklahoma *	Hon. Oliver Hodge Supt. of Public Instruction State Dept. of Education Oklahoma City 5	The 25-member Planning Committee will hold its first meeting on May 9. Mr. O. E. Shaw, of the State Department of Education, is conference director.
Oregon *	Mr. Eugene Marsh Chairman, Oregon Conference on Education State Library Building Salem	The State conference has been scheduled for June 15-16 at Salem. Two of the 22 regional conferences have been held, and the other 20 will be concluded by May 16. A weekly newsletter, put out by the Oregon Planning Committee, is being distributed throughout the State for the information of those participating in the regional conferences. It contains suggestions for the organization of the conferences and reports the progress being made in the planning of the conferences.
Pennsylvania *	Dr. John M. Lumley Deputy Supt. of Public Instruction State Dept. of Public Instruction Harrisburg	The State conference was held April 14-15 at Harrisburg. At the conference the participants were divided into 6 groups, each group being responsible for one of the topics on the agenda. The groups in turn were divided into 4 divisions each, which met to discuss various aspects of the problem assigned to the group. An analyst and a reporter were assigned to each group and a chairman, an analyst, and a reporter to each division. Group reports were given at the afternoon session on April 15 and the conference findings were summarized at the final conference session by Dr. Herbert E. Longedecker, dean of the Graduate School of the University of Pittsburg. Mr. Clint Pace, Director of the White House Conference Committee staff, gave an address at the dinner meeting on April 14.
Rhode Island *	Mr. Stewart Essex Chairman, Rhode Island Conference on Education 228 Spring Street East Greenwich	A meeting of the Executive Committee was called on April 12. A committee of 6 was appointed to nominate conference officers. Those nominated and approved were Mr. Stewart A. Essex as chairman, Mr. Earl F. Calcutt as vice-chairman, and Miss Marie R. Howard as secretary. The officers met with the Chairman of the State Board of Education and the Commissioner of Education on April 26.
South Carolina *	Mr. John H. Martin Chairman, South Carolina Conference on Education Hartsville	The six subcommittees, which were appointed to conduct studies of the six problem areas suggested by the White House Conference Committee, will meet two or three times before reporting to the State committee in May. The subcommittees will hold further meetings before making reports to the State Committee at a third meeting in June. From 400-500 persons will be invited to the State conference to be held during late July or early August. Plans for six regional conferences, one for each congressional district, were made at the First meeting of the Committee on March 31.
South Dakota *	Mr. Russell B. Creaser Chairman, South Dakota Conference on Education Watertown	The first regional conference was held on March 19 at Spearfish and the second on April 2 at Huron. A State conference has been scheduled for July 14 at Pierre.
Tennessee *	Dr. A. D. Holt Vice-President University of Tennessee Knoxville	The recently appointed 21-member Planning Committee held its first meeting on April 26. The committee members, who represent statewide organizations, were asked to keep their organizations informed of all conference developments. Dr. Quill E. Cope, Commissioner of Education and vice-chairman of the conference, has been directed to assign research projects for each topic on the agenda to staff members of the Department of Education. The staff will prepare reports for the consideration of the conference, to be held September 13-14 at Nashville.

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* States which have applied for funds.

State	Chairman Designated	Remarks
Texas		Further conference plans will be postponed until after the announcement of the Governor's appointment of a conference chairman and committee. Texas will use State funds to finance its conference.
Utah	Dr. Adam S. Bennion Chairman Utah Conference on Education 47 East South Temple Salt Lake City	Mr. Adam S. Bennion, former chairman of the Utah Public School Survey Commission, has been designated by the Governor as conference chairman and Dr. G. Homer Durham as vice-chairman. A committee of 42 lay citizens and educators will assist Mr. Bennion in planning the Utah Conference.
Vermont *	Mr. Norton Barber Chairman, Vermont Conference on Education Bennington	Subcommittees are now at work defining the problems on the agenda and working up factual materials for consideration by the State conference on September 16-17.
Virginia	Hon. Dowell J. Howard Supt. of Public Instruction State Board of Education Richmond 16	The conference will be held in August at Richmond. Virginia will use State funds to finance its conference.
Washington *	Dr. Henry Schmitz President University of Washington Seattle	A conference was held November 22-23, 1954, at Seattle. The conference report is now being completed. Consideration is being given to the advisability of using the report as a basis for community or regional conferences as a follow-up to the State conference.
West Virginia *	Hon. W. W. Trent Superintendent of Free Schools State Dept. of Education Charleston 5	The State conference will be held at Charleston on September 21-22-23. The conference chairman and the chairman of the program committee sent a joint letter to heads of statewide organizations requesting that they devote the May meetings of their organizations to a discussion of the first topic on the agenda, "What Should Our Schools Accomplish?" It was suggested that persons other than teachers and school administrators be asked to participate in the panels. The results of the discussions are to be forwarded to the State committee for its use in preparing for the State conference. This program, being sponsored by the Planning Committee,is in lieu of county or regional conferences.
Wisconsin *	Mr. N. E. Masterson Chairman, Wisconsin Conference on Education 200 Strongs Avenue Stevens Point	The Executive Committee of the Planning Committee met on April 29 at Madison to discuss a method for the selection of delegates to the State conference, the setting up of a program committee, and the organization of post-conference regional meetings. It has been decided to hold 10 regional conferences during the last two weeks of September. The State conference is scheduled for June 27-28 at Madison. Organizations throughout the State have been encouraged to discuss the problems on the conference agenda and to submit reports of their findings to the State Committee. Gordon Boardman, Publications Supervisor of the Department of Public Instruction, is chairman of the Public Relations Committee whose members have been assigned to each of the four study groups and who report to the Committee all important aspects of the groups' activities. The Committee then arranges for publication of conference developments through the press, radio, and television.
Wyoming *	Mrs. Fred D. Boice, Jr. Chairman, Wyoming Citizens Committee on Educational Problems P. O. Box 2233 Cheyenne	A conference was held November 19-20, 1954, at Cheyenne. Mrs. Fred D. Boice, Jr., conference chairman, has been re-appointed as chairman of the Education Subcommittee of the Wyoming Legislative Interim Committee. The Education Subcommittee will call for the organization of a citizens advisory committee during the latter part of May. The advisory committee will be asked to continue the study of educational problems in the State and to consider whether or not a follow-up conference should be held in December after the White House Conference. A follow-up conference previously planned for this spring is now felt to be unnecessary because of the passage by the legislature of 16 of the 17 bills recommended by the conference.

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* States which have applied for funds.

State	Chairman Designated	Remarks
District of Columbia *	mr Robert V. Fleming President, Riggs National Bank 1503 Pennsylvania Avenue N.W. Washington, D. C.	Reports by 6 subcommittees, which have been conducting studies of six areas on the conference agenda, will be discussed at the District Conference to be held at the Interior Department Auditorium on May 26. Approximately 500 people will attend. Following the conference, the six subcommittees will prepare reports to be submitted to the conference committee in September.
Alaska *		A conference committee has been appointed and was scheduled to hold its first meeting during the latter part of April. The Territorial Conference will be held in October.
Hawaii *	mr. Robert Craig Chairman, Governor's Conference on Education P. O. Box 2360 Honolulu	A conference was held April 14-15-16, 1955, at Honolulu. No post-conference plans have been reported.
Puerto Rico	Hon. Mariano Villaronga Secretary of Education Dept. of Education Vela Street, Stop 34 Hato Rey	The conference will be held in September at San Juan. The Steering Committee of 9 members has met and has set up subcommittees to make studies of five of the topics on the White House Conference agenda, the problem of school organization being omitted. Delegates to the conference will be selected by the heads of various organizations in the Commonwealth and delegates at large will be chosen by the Steering Committee. Puerto Rico will use Territorial funds to finance the conference.
Virgin Islands *		No definite conference plans have been reported.

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* States which have applied for funds.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

June 10, 1955
9:00 A. M. - 10:05 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. of State Hoover
    (for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Deputy Atty Gen Rogers
    (for Mr. Brownell)
Mr. Summerfield
Under Sec. of Interior Davis
    (for Sec. McKay)
Under Sec. of Agriculture Morse
    (for Sec. Benson)
Sec. Weeks
Under Sec. of Labor Larson
    (for Sec. Mitchell)
Sec. Hobby

Director Hughes
Acting Director, FOA, Dr. Wm. F. Russell
    (for Gov. Stassen)
Dr. Flemming
Chairman Young
Dr. Burns

Gen. Willard S. Paul, ODM, and
    two assistants

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Rabb
Commander Beach, in part
Mr. Murray Snyder, in part
Gov. Pyle
Mr. Patterson
Mr. Minnich

The President called attention to the tremendous public interest in the Hoover Commission reports and to his recent conference with President Hoover and other interested officials. He explained that the recommendations seemed to fall into three groups: Those on which the entire Administration can quickly agree, those to which some staff objections have already been voiced, and those to which both staff and top level officials have objected. He noted also that some recommendations can be put into effect through administrative action, some by Reorganization Plan, and some would require special legislation.

The President stated his anxiety that the Administration avoid any adverse reaction to all of the recommendations because of objections to certain ones. He hoped that the recommendations on which agreement can be reached easily and which can be effected through administrative action would be adopted quickly. To do so, he believed, would allay considerable public uneasiness that the Administration will not be active on the recommendations. He hoped that Cabinet heads or their principal assistants would review and transmit at an early date to Budget the departmental analyses already requested.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By kc NLE, Date 11/16/78

~~CONFIDENTIAL~~

Secretary Wilson indicated he was naming a special assistant to take charge of reviewing and initiating recommendations concerning the Defense Department, of which there are many. Each Service will do the same. He believed the report due at Budget within thirty days could not be definitive. The President agreed and again urged that the non-controversial items be accomplished quickly. Secretary Wilson concurred and stated that rapid action would help to build up momentum which could thereafter be maintained.

At the President's invitation to speak to the matter, Director Hughes merely noted that the President had covered the situation thoroughly. Governor Adams suggested that Cabinet members in their speeches take note of the actions under way in their own departments.

Remarks by Under Secretary of State Hoover - Mr. Hoover read a short paper analyzing the Russian invitation to Chancellor Adenauer to visit Moscow for a conference on mutual problems. The invitation was not surprising although it came earlier than expected. By issuing it, the Russians may have impaled themselves on the horns of a dilemma, for much embarrassment to them can result should Mr. Adenauer inquire as to whether Russia views him as a spokesmen for all Germans. If they do, East Germans will feel slighted and the Russian position there will be weakened. If they don't, it will be a slight to the West Germans.

This Russian move, Mr. Hoover said, fits neatly into the pattern of events as developed in regard to Austria and Yugoslavia.

It is thought that the Soviet may attempt to discuss questions reaching beyond those indicated in the invitation. The Russians probably do not expect to accomplish any agreement with Mr. Adenauer, but they may be hoping to maneuver him into rejecting a Soviet offer on unification which would seem attractive to the West Germans. In this way they might discredit him prior to the forthcoming elections. There is every reason to be confident that Mr. Adenauer will not make any commitment adverse to the free nations.

It is reliably reported that the Soviet officials have told members of the Berlin press that Russia will not demand West German recognition of the East German State as a prerequisite for Soviet recognition of West Germany. However, the Soviet may be hoping to add to the pressure for West German recognition of East Germany.

It is reported that French officials in the Foreign Office think that East German officials are thoroughly disconcerted and fear that Russia may jettison East Germany.

Mr. Hoover concluded that there are many imponderables in this matter and that only subsequent developments will clarify them.

The President commented on the astuteness of Mr. Adenauer which is a virtual guarantee that the conference will not be an unhappy event for the West but may instead turn out to be a blessing.

Secretary Weeks reported an experience during his recent European trip which seemed to confirm a drop in the prestige of East German officials.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By Jbc NLE, Date 11/16/78

The Peters Case - Mr. Rogers explained that the Supreme Court decision in this case had bypassed the critical question of confrontation of witnesses and had been made on the very narrow ground that a Loyalty Board did not have the right to reverse against the accused any previous verdict. Consequently, the Supreme Court decision had no significance to this Administration's Employee Security Program since no Loyalty Review Boards are involved. He expected that the issue of confrontation would not again arise before the Court for quite some time and that if it did, the verdict would favor the current Administration position.

Mr. Rogers took note of changes in the Security Program that had been accomplished in December and in March, and he predicted that there would be more as the continuing review proceeds. He called attention to the work of the two coordinating bodies (the Security Officers themselves and the Donegan group) which had been very helpful but could not completely prevent flare-ups.

Mr. Rogers noted that the review of cases would soon be completed and that henceforth the program would be devoted preponderantly to new applicants for positions.

The President referred to the Congressional reduction of appropriations for HEW security personnel which would prevent that department from carrying through action as quickly as desired, particularly since many new people were being added to the Public Health Service for civil defense purposes. No other Cabinet member was aware of any similar reduction for his department. Mr. Rogers recalled the hopes that the review of cases could be cleared up by June 30th. Mrs. Hobby believed that many of the remaining cases were extremely difficult ones and that the final going would be slow.

Agricultural Developments (CI-27 and 28) - Under Secretary Morse commended the information documents to later reading by Cabinet members. He characterized the Great Plains program as a very sound one and he emphasized the urgent necessity for action on it. He hoped that comments of private organizations could be secured by July, so that Agriculture could complete and announce the specific program on which it would move ahead. Mr. Morse emphasized that the agricultural problem concerns the total economy of the area, a fact now being recognized more widely than by farmers alone.

In regard to the Rural Development program, Mr. Morse was enthusiastic about the interest of the states in the recent meeting at Memphis which was attended by twenty-eight states and drew inquiries from the others as to future participation. He emphasized the tremendous potentiality of this program for demonstrating the Administration's interest in the little man. He hoped that Members of Congress would quickly grasp the full potentiality. He stressed here also the need for early accomplishment of recommendations in the program.

Operation Alert 1955 - Mr. Flemming stated that the exercise was designed as a test of mobilization planning, of ability to handle continuing routine activities, and of ability to handle emergency problems. He hoped that department heads would get across to their employees the need for giving their utmost serious attention to this exercise.

Mr. Flemming then reviewed briefly the charts distributed at the meeting in regard to the flow of information and action on problems. He noted

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that a vast number of problems had been prepared but that consideration of solutions would not begin until the time of the exercise.

The President spoke from his experience in war games and suggested that too many problems should not be laid on the same people in so short a time, and he repeated that there would be many current matters which would have to be handled during the exercise even though they were not specifically a part of the exercise. He emphasized that the agencies would have to make appropriate arrangements for accomplishing the routine work in orderly fashion.

Later in the meeting Mr. Flemming referred to this again and expressed the hope that no decision about deactivating relocation sites would be made until after the mobilization planners could review the exercise and consider the desirability of maintaining permanently at the relocation site a work unit which could carry on its daily business and also be trained to take charge during the critical moments of an emergency when agency officials would be in transit to relocation sites.

Director Hughes stressed the need for thoroughly documenting the exercise as the basis for a useful critique. Dr. Flemming said that arrangements had already been made.

Secretary Hoover warned that many emergency documents would be subject to action during the exercise and that it would be particularly embarrassing if the information in them should become public at this time. The President believed there would be no need to utilize certain documents since the exercise could be carried on by resorting to assumptions that certain actions had been completed. Dr. Flemming agreed and reassured Mr. Hoover that the documents of concern to him would not be in use during the exercise unless the NSC in its meeting had some need to refer to them. In any event, he said, the press would not have direct access to the deliberations of high officials. The President concluded by noting that in war games no reference was ever made to particular countries.

Plain Letters - Secretary Humphrey commended to the attention of Cabinet members the objectives set forth in the pamphlet "Plain Letters" put out by the Archivist. He thought that any letter which ran to five or six pages ought to be thrown away. The President commented briefly on his own dislike of the practice of saving every piece of paper including early drafts of any matter.

Ford-UAW contract - Under Secretary Larson called attention to the great length of this contract and the fact that it cannot take effect until a number of rulings have been obtained from appropriate agencies. These rulings include one by Treasury that payments to the fund would be tax deductible, another whereby the payments could be allowed under Defense contracts carried on by the company, another by Labor Department to the effect that these payments would not be considered as wages with reference to the wage and hours provisions, and action by a portion of the states concerned to insure that payment to the workers from the fund would not be deducted from unemployment insurance paid by the states.

Mr. Larson believed that any "edge" in the negotiations had been won

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by Ford since the company secured a firm limit on the figure of 5¢ per hour. The final agreement seemed to him to be of lesser value to the union than the offer made by Ford for purchase of stock. He did not foresee any serious immediate inflationary pressure although automobile prices might be affected in the long run. The President commented that an increased price of cars might have a deflationary effect, and Secretary Wilson said that he had not been greatly concerned by the contract after he had obtained a full understanding of its contents. Mr. Wilson thought it especially significant that the unions had thrown overboard many social considerations such as recognition of the number of dependents of a worker, seniority, etc.

LAM
L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman
- Mr. Rabb
- Mr. Minnich

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CA - 24

June 9, 1955

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, June 10, 1955

1.	Remarks	(Oral)	The Under Secretary of State
2.	Significance of the Peters Case	(Oral)	The Deputy Attorney General
3.	Agricultural Developments		
	a. The Rural Development Program	CI - 27	The Under Secretary of Agriculture
	b. Report on the Drought Area from the Conference of Great Plains Governors	CI - 28	The Under Secretary of Agriculture
4.	Operation ALERT, 1955	(Oral)	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

June 1, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Tentative Agenda for the June 3 Cabinet Meeting

The following items are, subject to your approval, tentatively scheduled for the Cabinet Meeting of June 3:

Item 1: The International Cooperation Administration

Under Secretary Hoover and Governor Stassen think it fitting that Mr. John B. Hollister, the Director-designate of the ICA, be introduced to the Cabinet and invited to say a few general words about his plans and terms of reference. The purpose: to enlist the cooperation and support of those around the Cabinet table for Mr. Hollister in his challenging but difficult new assignment. It is suggested that you lead off, introduce Mr. Hollister and emphasize how much government-wide teamwork will be required. Following his remarks, Under Secretary Hoover and Governor Stassen may speak up briefly in the same vein.

TIME SET: 5 minutes for Mr. Hollister
5 minutes for any further discussion

Item 2: Remarks (on the British Elections)

The Vice President feels that a brief commentary on the significance of the Conservative victory in Britain for the U.S. political picture would be both valuable and appropriate. The Vice President has been in touch with the Republican National Committee on this subject as well as with several on-the-spot observers. I have also asked the

Under Secretary of State to supplement the Vice President's remarks by a brief review of the international effects of the British elections.

TIME SET: 10 minutes for the Vice President
5 minutes for the Under Secretary of State
10 minutes for any general discussion

Item 3: The Drought Area - Report from the Meeting of Great Plains Governors

As a follow-up to the discussion of problems of the drought area at the April 29 Cabinet Meeting, Under Secretary Morse would like to tell the Cabinet briefly about the conclusions of the conference of ten Great Plains Governors in Denver -- from which he will have just returned.

TIME SET: 5 minutes

Item 4: The Desegregation Decision

Attorney General Brownell will be in a position to give the Cabinet a brief commentary on the significance of the new Supreme Court decision on school integration.

TIME SET: 10 minutes

Item 5: The Highway Program

The second item on the agenda of the ten Great Plains Governors is the Administration's highway program. Secretary Weeks is attending the conference to discuss this matter with them, and will be returning to Washington after having received their recommendations and conclusions. Secretary Weeks will thus be in a position to give the Cabinet a picture of how the Administration's highway program is being received by the Governors of the Great Plains area.

TIME SET: 5 minutes

Maxwell M. Rabb
Secretary to the Cabinet

June 7, 1955

MEMORANDUM

SUBJECT: Possible Agenda for the Cabinet Meeting of June 10

Item 1: **Remarks (on the British Elections)**

The Vice President feels that a brief commentary by Chairman Hall on the significance of the Conservative victory in Britain for the U.S. political picture would be both valuable and appropriate. The Vice President has been in touch with the Republican National Committee on this subject as well as with several on-the-spot observers. I can also ask the Under Secretary of State to supplement the Vice President's remarks by a brief review of the international effects of the British elections.

TIME SET: 10 minutes for the Vice President
5 minutes for the Under Secretary of State
10 minutes for any general discussion

Item 2: **The Peters Case Decision**

Deputy Attorney General Rogers will be in a position to brief the Cabinet on the significance for the several Departments and for the Administration's security program of the Supreme Court decision with respect to the Peters case.

TIME SET: 5 minutes

Item 3: **The Drought Area - Report from the Meeting of Great Plains Governors**

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TIME SET: 5 minutes

Item 4: **The Highway Program - Report from the Meeting of Great Plains Governors**

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TIME SET: 5 minutes

Item 5: **Economic Report**

Dr. Burns, I believe, would be receptive to an invitation to brief the Cabinet on some of the highlights in the domestic economic picture at present, including the way in which the Ford-CIO agreement may affect the government and the economy.

TIME SET: 10 minutes

Item 6: **Operation ALERT, 1955**

Dr. Flemming can give the Cabinet its final "briefing" prior to the June 15-16-17 Relocation Exercise.

TIME SET: 10 minutes

Maxwell M. Rabb
Secretary to the Cabinet

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CI - 27
June 8, 1955

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THE CABINET

Rural Development Program

For information of Cabinet Members, attached are notes prepared and used by Under Secretary of Agriculture Morse in giving an informal status report on the Rural Development Program to the Meeting of Land-Grant College Representatives of the State Agricultural Extension Services and Agricultural Experiment Stations in Memphis on June 7.

This status report is a follow-up to the recent Report on the Development of Agriculture's Human Resources (CP - 26/2 -- discussed in Cabinet on April 22).

The attached notes are circulated as background for the remarks of the Under Secretary of Agriculture on this subject at the coming Cabinet Meeting.

The [illegible] D. Eisenhower Library

Maxwell M. Rabb
Secretary to the Cabinet

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RURAL DEVELOPMENT PROGRAM

True D. Morse, Under Secretary of Agriculture
and President, Commodity Credit Corporation

We are now rolling ahead in an attack on the problems of farm families living in low income areas. They represent one of the great opportunities in America. All who desire to be of service to low income people and to help build a stronger America -- are asked to join forces in bringing more income, a better life and greater opportunity to these farm families.

The need for action was urged upon the Nation by President Eisenhower in January 1954. There followed more than a year of study, including consultation with able leadership across the Nation. The resulting guide to actions to be projected ahead was set forth in the report, "Development of Agriculture's Human Resources," which the President sent to Congress on April 27, 1955.

Response to the report and the projected program has been most gratifying. The program has been hailed as sound -- as deserving of full support.

At the national level, two committees are at work.

1. There is an interdepartmental committee composed of Under Secretaries and Assistant Secretaries of the Departments of Health, Education and Welfare; Labor; Commerce; and Agriculture -- with advisors and other representation. Representatives from these four Departments of the Federal government are here in this meeting.

2. The Rural Development Committee of the Department of Agriculture is made up of the heads of the following agencies: Agricultural Research Service, Federal Extension Service, Forest Service, Soil Conservation Service, Farmers Home Administration, Commodity Stabilization Service, Agricultural Marketing Service, Office of Information, Rural Electrification Administration, and the Governor of the Farm Credit Administration. The Under Secretary is chairman and the Assistant Secretaries and Group Heads serve with the Committee.

3. Two bills have been introduced in the Senate. S.2098 and S.2099. They would provide the authority to concentrate more extension work in low income areas, and to permit more adequate credit for farmers who supplement their small farm incomes with off-farm employment.

4. The request for needed operating funds in the amount of $3,000,000 and additional lending authority of $30,000,000 have gone forward to Congress.

5. This is the first meeting to decide how to move forward in the various States. It is typical of the fine leadership in the State Experiment Stations and Extension Services that they should want to get into action without delay.

It will be desirable if a wide variety of approaches is undertaken in working with the problems of farm families in low income areas. It will provide a great pool of experience to serve as a guide to the expanding program. It calls for ingenuity and resourcefulness. There must be adaptations to local areas and conditions.

6. Credit agencies are making plans to set up a meeting to decide how to meet more effectively the credit needs of farmers with low incomes. Both private and public leaders in the banking and credit field will be asked to participate.

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For Information

7. More adequate vocational training for young people will be a most important part of the program. About one half of the young people from low income farm families leave the farms to work in offices and factories, and to assume leadership throughout the United States. They must be well-trained to assume these duties. Steps will be taken to encourage States to institute a number of pilot operations during the school term starting in the fall of 1955.

About four out of five of our Nation's leaders throughout history have come from a rural environment. We must not fail to develop the human resources of our rural areas. It will mean more prosperity for members of the families living on low income farms. There must be more adequate schooling than is now available in many areas of low income.

8. Industries will be encouraged to expand in areas of under-employed rural people. This, too, is important for both the future industrial strength of the Nation and for national defense. This development is already under way, especially in the South -- but it needs to be speeded up.

Opportunities for small and medium-sized plants for primary and secondary processing of locally-grown farm and forestry products should not be overlooked.

9. Community and Trade Area Development programs have already pointed the way to more farm prosperity and better living in many areas. They stand as monuments to strong and constructive local leadership.

Aggressive farm, business, civic, and other leadership must team up in local efforts to aid in increasing the incomes of small farmers and raising their educational and living standards.

10. Forestry opportunities need special emphasis. Most low-income farmers own timber land or live in or near timber land areas. Most of this farm crop -- timber -- is sadly neglected. It is not only a potential source of more income, but of much more productive employment.

11. Health and nutritional needs must be more adequately met. This is especially important for young people. When these young people arrive in our cities and industrial centers, too often they come with health already impaired because diets were inadequate, or because there were no doctors, or too few doctors, dentists, and clinics where they grew to young womanhood and young manhood.

12. Character, morals and religious quality of our future workers and leadership will be strengthened. When incomes are low over a long-period, participation diminishes in civic and religious life. There are weak and neglected rural churches in numerous communities. Unless our future citizens get religious training as children and young people -- there is less chance of making them strong moral leaders as they grow older or move to cities. There is a big job for churches as part of this total program.

Senator George D. Aiken, in discussing the new program before Congress, said:

> "We have known for years that we should inaugurate and expand a program directed to the plight of low-income rural people - - - -
> "It will make a stronger America if these low-income farm people become more independent, if more of them can have higher education, if all of them can have better health - - - -"

The problems of farm families in low income areas must be attacked on a broad front. There is work for all to do. That is why it is so heartening to see such broad representation in this meeting.

We must build on the good work that has already been done in this field. There have been many effective demonstrations of what to do and how. Many of your people already have fine records of accomplishments to their credit, as they have worked on low-income problems of farmers under your leadership.

The Land-Grant Colleges have long been in the forefront in helping to solve agricultural problems. That is why it is expected that strong, aggressive action will flow from this meeting. This is a tough, long-term job. But you have tackled and helped solve other tough problems.

Secretary of Agriculture Ezra Taft Benson says,

> "Clearly, a broad, aggressive, well-coordinated assault is urgently needed. New measures must be launched; established activities must be strengthened. To achieve maximum success, all elements of American life in rural areas must participate in the program. Civic and business leadership, farm organizations, schools, churches, community and service clubs, local, State, and Federal governmental agencies, must all assist in a long-sustained, comprehensive attack on the problems of low-income farm families."

President Eisenhower, in transmitting the report and recommendations to Congress, said in part:

> "We must open wider the doors of opportunity to our million and a half farm families with extremely low incomes -- for their own well-being and for the good of our country and all our people.
> "- - -an immediate start is extremely important. - - -
> "A many-sided attack is essential. We need an integrated program in which each part contributes to the whole."

It has now become national policy to extend more help to farm families with low incomes. That is the mandate under which we move forward. That is the framework within which this meeting goes to work.

We look to the Land-Grant Colleges for their help and leadership. The Department of Agriculture assures the Land-Grant Colleges of its full cooperation in every way feasible. Other agencies of the Federal government will render assistance as we move forward together.

# # # #

UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, June 8, 1955

28 States Headed Toward Rural Development Program:

(Following is a report of representatives of 28 States, issued at Memphis, Tennessee, the afternoon of June 8, 1955, following a conference to discuss long-range development of programs for rural development.)

Representatives of agencies from 28 States and the District of Columbia today wound up a two-day meeting at the Hotel Peabody, Memphis, Tennessee, encouraged by the outlook for long range programs to boost incomes and stimulate better living conditions in many farming areas.

Under Secretary of Agriculture True D. Morse, who attended the first day's session, received a telephoned report on the conclusions reached by participants in the session. "I am delighted", he stated, "to hear that the conference has so quickly reached agreement on so many practical methods of cooperatively attacking the problems faced by farmers in these less productive areas. As the person designated to head up the Federal Government's part in this attack, I want to assure the States that we will vigorously assist in the programs they devised."

Among the methods of attack agreed upon by working committees and reviewed by the conference are:

1. On the Federal level, both the interdepartmental (Commerce, Agriculture, Labor, and Health, Education and Welfare) and intradepartmental committees now existing should continue to function.

2. State Advisory Committees representing all agencies and organizations servicing agriculture should be established and should take leadership both in State activities and in setting patterns for county committee operations and programs.

3. Emphasis at all times should be placed on local initiative in making decisions.

4. Commitments must be made as to the kind and amount of help needed at the county level to do the job. Programs should be vigorous and thorough. One work

committee in an informal report put it: "Should not try to pawn off a feeble effort at rural development as the real thing."

5. The conference recognized the need for additional information and methods of obtaining that information or "research". The implication involves more than new research; it involves a compilation and evaluation of past and current research as it might apply to specific areas and circumstances.

6. Particular emphasis was placed on stimulation of local private initiative through civic clubs, churches, farm organizations, youth and other organizations.

7. Although rural development programs emphasize agricultural employment, they must include industrial, educational and recreational developments as well as those relating to health. Expansion of local industries should be encouraged.

8. Families must be encouraged to participate in the locally-devised programs. Confident, close relationships with family and neighborhood leaders must be established.

9. In summary, outstanding emphasis was placed on local initiative and participation, on availability of credit (but not as a cure-all in itself), and on the need for clear commitments on financial help and additional employees to get the job done. While many States are doing some work closely related to rural development, additional programs must be vigorously carried out. The States stand ready -- as this meeting clearly demonstrated -- to cooperate closely and promptly in a coordinated attack on low incomes and low standards of living in the farming areas under discussion.

States represented at the conference were: Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, North Carolina, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin. The U. S. Departments of Commerce, Labor and Health, Education and Welfare were represented, as well as officials of the U. S. Department of Agriculture's Agricultural Marketing Service, Agricultural Research Service, Federal Extension Service, Farmers Home Administration, Forest Service, Rural Electrification Administration, Soil Conservation Service, and Office of the Secretary. The Farm Credit Administration also sent a delegate. About 125 persons attended the conference.

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CI - 28

June 8, 1955

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THE CABINET

The Great Plains Agricultural Conference - Denver, Colorado, May 31 - June 2, 1955

For information of Cabinet Members, attached is a paper entitled "Guides To a Successful Long-Range Program in the Great Plains." As its Introductory Note states, the paper was developed as a guide at the Denver Conference but without committing either States or the Federal Government.

This paper is circulated as background for the remarks of the Under Secretary of Agriculture on this subject at the coming Cabinet Meeting.

Maxwell M. Rabb
Secretary to the Cabinet

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GREAT PLAINS AGRICULTURAL CONFERENCE
Denver, Colorado, May 31 - June 2, 1955

Introductory Note

The attached paper was developed at the Great Plains Agricultural Conference held May 31 - June 2, 1955, at the Shirley Savoy Hotel, Denver, Colorado. This material comes from a series of work sessions of the Great Plains Agricultural Council, which includes, deans and directors of extension and experiment stations and Federal agency representatives; State commissioners or secretaries of agriculture; and an action committee of the U. S. Department of Agriculture.

The Governors of eight states and representatives of the Governors of the other two Great Plains states met with Secretary of Agriculture Ezra Taft Benson, on June 1, while the work was proceeding and presented recommendations.

Co-chairman of the work sessions were Dean S. S. Wheeler, Chairman of the Great Plains Agricultural Council, and True D. Morse, Under Secretary of Agriculture.

The ten States represented were: Colorado, Kansas, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming.

The participants in the conference urgently desire that the attached material be as widely distributed for study and reaction as possible. The paper is self-explanatory. It is to be considered as a guide only, not as final action. It does not represent commitments to specific actions by, or within, either the States or the Federal Government. It represents areas of general agreement for the further development of the programs for the Great Plains.

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GREAT PLAINS AGRICULTURAL CONFERENCE
Denver, Colorado, May 31 - June 2, 1955

GUIDES TO A SUCCESSFUL LONG-RANGE PROGRAM IN THE GREAT PLAINS

In developing these suggested guides to a successful long-range program for the Great Plains, a wide range of proposals has been considered from the following sources:

(a) Proposals and recommendations made at local, county, state, and regional levels by associations, Federal and State Agricultural Agencies, farm organizations and other interested groups.

(b) Ideas discussed and agreed upon by the Great Plains Agricultural Council.

(c) Recent intensive studies by a Committee of the USDA.

Responsibilities

1. The primary responsibility for proper land use rests with the individual land owner and operator.

2. There are public obligations to be discharged by county, state, or Federal Government, district and other administrative units of local government, with each assuming its appropriate responsibility.

3. Civic, farm and business interests in the community must give constructive and responsible local leadership. No program can succeed without recognition of problems locally, and a willingness to accept responsibility in the solution.

Land Classification

4. A soil survey and land classification for each locality in the Great Plains must be completed at the earliest practicable date.

   (a) Reconnaissance surveys should be used as needed to provide interim data for classification pending completion of the soil survey. Work should be concentrated first on the remainder of the crop land in the critical wind erosion areas of the Great Plains. This should be completed in 3 years after the necessary funds and personnel are available.

   (b) Where necessary to get immediate land classification, local groups should use their best judgment to make such classification pending availability of basic soil survey data.

   (c) Local leadership such as county governing bodies, county and community committees, soil conservation districts and other local groups must have a part in the development and application of a land classification system. The system must be understood by and acceptable to local people if it is to be a workable tool in a long range program.

5. Surveys of surface and underground water supplies and quality should be accelerated, enlarged and maintained.

6. Steps should be taken to improve irrigation and multiple purpose project planning by:

   (a) Giving adequate consideration of agricultural needs and economic feasibility, so as to assure the success of farm and ranch families.

   (b) Achieving effective coordination of the varied interests involved between states, agencies and industries.

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For Information

Climate

7. There is need for determining the incidence and range of weather variation and consequent crop yield, and the mapping of climatic patterns by major climatic and soil areas of the plains as a means of clarifying weather risk.

Research

8. To provide a basis for intelligent action on problems facing farmers and ranchers in the Plains region, much additional research will be needed. An expanded, sustained, cooperative, and coordinated program of research should be vigorously conducted.

The first need is to inventory and summarize the research results which are now available, and to make full use of them in guiding the programs which are undertaken.

In the areas which are physically adapted for continuous crop production, research should be directed toward stabilizing and improving the soil, the crop yields and the income expectancy, and towards building reserves to carry over the drought years.

In the areas with soils unsuited for arable farming, intensified research is needed to guide transition into grazing and livestock, and to prevent recurrence of distress caused by cropping unsuitable land in high rainfall years.

Education

9. There is need for an expanded educational program.

   (a) The foundation upon which all educational programs must be built, consists of:

      (1) All applicable fundamental and applied research results now available and which may be progressively developed. Research must be further strengthened and research results intensively demonstrated.

      (2) Detailed information relative to all applicable Federal, State, county, and community agricultural programs. This information must be correlated and integrated into a complete and comprehensive plan. A clear-cut understanding of all program purposes and responsibilities is essential in this connection.

      (3) United planning and operation at Federal, state, county and community levels involving all agencies, organizations, groups, and individuals in a position to make significant contributions.

      (4) A thorough use of all agency personnel available with only such division as to responsibility which will promote effective action and conserve the time and effort of all concerned.

   (b) The following should be the principal objectives of a comprehensive and continuing Educational and Informational Program for the Great Plains.

      (1) Keeping the people on the farms and ranches thoroughly and currently informed as to the principal agricultural problems affecting the area and the most practical solutions for each of them.

      (2) Keeping the people in the towns and cities of this area effectively informed as to agricultural problems and programs in order to stimulate effective cooperation between all agencies, organizations, groups and individuals, both rural and urban.

(3) Keeping the people of the nation informed of the Great Plains agricultural problems and of progress being made in solving them.

(4) Insuring that all educational programs lead to definite and well informed action.

Application of Conservation Measures

10. The program of on-site technical guidance in conservation should be accelerated since there are many conservation problems involving techniques in planning and application that farmers and ranchers are not equipped to employ.

11. The policy of the Agricultural Conservation Program should be that of sharing with farmers and ranchers the cost of installing those practices which are most enduring and most needed but which are not a part of normal farm and ranch operations.

12. The cost sharing program on those practices that tend to bring about land use adjustments needed for a long range program should be accelerated and rates of payment made more flexible.

13. Legislation should be sought to enable Agricultural Conservation Program Service to make forward commitments with regard to cost sharing on establishment of permanent vegetative cover and similar measures which require more than one season for establishment.

Credit

14. Private and cooperative lenders, historically the chief sources of agricultural credit, should continue to provide maximum sound credit assistance to the majority of farmers, ranchers, and their cooperative organizations.

15. A review of the need for and the possibility of modifying regulations, and supervisory requirements of Federal Deposit Insurance Corporation and state banking laws to aid bankers in meeting the problems of carrying good risks through an emergency period such as the present drought disaster, is recommended.

16. All lenders, both private and governmental, should be further encouraged to take into consideration in their credit policies proper land use and sound management practices, as well as the size and type of the operation.

17. Increased recognition should be given by all lenders to the need for intermediate and long term credit to permit enlargement and adaptation of farm units that are now too small or improperly organized to make best use of their resources.

18. The Farmers Home Administration should:

(a) Develop a supplemental emergency credit program, to include provisions for debt refinancing especially adapted to the needs of the Great Plains, but within the framework of lending policies outlined in Recommendation No. 16 above.

(b) Give assurance that Disaster, and Production and Subsistence loans, will continue to be available, and will be extended where conditions justify.

(c) Be provided with adequate funds to meet needs of farmers in the lower income group, so that it may make a maximum contribution toward establishing economic family type farms. Loan limits should be increased to the level necessary for this purpose. Flexible repayment plans should be developed to meet the needs in areas where farm income is subject to wide variation.

(d) Make a careful review of present operating policies and legislative authority in order that needed changes may be made to meet emergencies such as the current drought disaster.

Crop Insurance

19. Crop insurance should be developed and strengthened to serve eventually as a major protective device against crop losses in all areas suitable for arable farming. Long term insurance contracts may be necessary to balance premiums and losses over, say a 10-year period. Standards of performance in carrying out risk reducing practices should be required in the insurance contract.

20. Where crop insurance is available, farmers should generally be encouraged to join in building a sound and lasting county or area crop insurance program to stabilize the agricultural economy of the individual and the county. All agencies should encourage eligible producers to carry crop insurance.

21. Crop insurance should not be offered on land unsuited for long-time production of the insured crop. Crop insurance should operate on a business basis. In the interest of developing and maintaining a sound insurance operation, local leaders and agencies should assist Federal Crop Insurance Corporation in screening out land and farming practices which should not be insured.

Acreage Allotments and Price Supports

22. There needs to be determined what features, if any, are contained in the present system of crop acreage allotments and price supports that contribute to misuse of land and what changes or adjustments, if any, that should be made. Research is needed.

Particular attention needs to be given to the large measure of flexibility required in Great Plains agriculture.

Suggestions have been made from various sources on adapting price support and acreage allotment programs to fit the particular problems of the Great Plains. Nearly all of these are controversial or involve policies extending far beyond the Great Plains in their application. They present practical difficulties or raise basic questions of national administrative or legislative scope.

It is recommended that farm organizations and leadership generally be urged to forward their recommendations on such questions as the following:

(a) Should erosion prevention practices and sound land uses be a condition of eligibility for price support?

(b) Should acreage allotments be conditioned upon recommended land use based on land classification?

(c) How much and how rapid adjustment is possible and feasible in county and farm allotments in recognition of type of soil and topography?

(d) Should farmers be required to plant their acreage allotments in order to maintain "base acreage"?

(e) Would it be feasible to develop more flexible allotment and price support programs designed to meet the particular problems facing farmers in the Great Plains?

Aids to Adjustment in Land Use in Severe Problem Areas

Much of the needed land use adjustment can be attained within the framework of existing programs. In especially difficult problem areas, when the public interest supported by public opinion demands, some of the following measures should be considered:

23. Contractual arrangements between land owners and government (Federal, State, or local) as a means of bringing about and maintaining major adjustments in line with recommended land use.

24. Where adjustment in size of farm and ranch units is needed to establish economic units and attain proper land use, mechanisms (private and public) of financing and purchase for resale may be developed.

25. Adjustment in land assessments for tax purposes.

26. Locally adopted and administered land use regulations, zoning ordinances, and other similar devices.

Development of Agricultures' Human Resources

27. Attention is called to the recent report on problems of low income areas entitled "Development of Agricultures' Human Resources". This is available from the U. S. Department of Agriculture, Washington 25, D. C.

Areas of Responsibility for Use of Resources to Accomplish Program Objectives

(a) Farmers and Ranchers

Ownership and operation of land carries responsibility for maintaining its permanent productive capacity and its capacity to sustain farm and community life.

It is the responsibility of farmers and ranchers when using publicly supported programs or facilities to apply their benefits in such a manner as to preserve and enhance the value of their lands to themselves, the community, and the nation.

Farmers and ranchers have responsibility to participate in, and contribute to, the formulation and development of policies and programs adapted to the needs of their environment.

(b) Local Governments

Local governments are responsible for administering where applicable and where authority exists:

(1) An effective system of land classification.

(2) Application of tax procedures that permit and encourage proper land use, and

(3) Laws for proper land use and management.

Local governments have responsibility for participating where authorized in efforts for improved land utilization and meeting problems requiring community action.

(c) State Governments

State governments have responsibility for:

(1) Enabling legislation to meet problems of proper land use to provide where needed.
- Rural zoning.
- Soil Conservation District land use ordinances.
- Wind erosion district regulations.
- Grazing association regulations.
- Easements and restrictive covenants.
- Other types of district organization authority as needed to meet land use problems.

(2) Provide funds for research, education, regulatory and action programs needed to help land owners achieve recognized standards of proper land use.

(3) Assessments and taxation of land to encourage proper land use according to its classification.

(4) Develop laws to control the use of surface and underground water.

(5) Giving greater attention to review of water resource project plans and accepting greater responsibility for water resource programs affecting land owners.

(6) Develop laws on pollution abatement and establish procedures for their enforcement.

(d) Federal Government

The Federal government has responsibility for:

(1) Cooperating with the states by providing agricultural program aids, guidance coordination and financial assistance.

(2) Adjusting programs of direct Federal administration so as to achieve from them the greatest possible contribution toward preserving the permanent production capacity of the nation's land resources.

(e) Other

Organized groups including farm, civic and business organizations have responsibility to participate in the evaluation and formulation of public and private efforts to maintain and improve individual and community values stemming from improvement in the management of the land and water resources of the community, state, region, and nation.

The Great Plains Agricultural Council should furnish leadership in the continuous evaluation and progressive operation of this program within the area of its organization.

Concluding Statement

The action program that is being further developed for the Great Plains will help achieve more dependable prosperity for the citizens and help build a stronger America.

The farm products from this vast, productive, agricultural empire helped win two world wars. It can continue to be a great reservoir of productive strength if wisely managed to conserve and increase its productive capacity. These great potentials can be fully realized by putting into effect the practices and procedures that will more completely control the effects of the weather hazards. Drought, floods, and other disasters cannot be prevented — but the damaging effects can be greatly reduced. The remedies and procedures must be agreed upon. There must then be complete team work in moving forward toward more prosperous farming and ranching and for the total economy.

# # #

COPY #6

~~TOP SECRET~~

MINUTES OF THE SECOND PLENARY MEETING
OF THE
INTERIM ASSEMBLY, RAVENROCK CONFERENCE ROOM
11:00 - 12:15 A.M., FRIDAY, JUNE 17, 1955

Dr. Flemming opened the meeting by suggesting that it be divided into three parts:

1) a discussion of one major substantive point;

2) a brief evaluation of the whole operation; and

3) comments and further evaluation from other members of the group.

He indicated that it was his intention to make an evaluation report to the Cabinet on July 1.

War Indemnification

The substantive question raised was the problem of indemnification for war damages. Dr. Flemming read the significant sections of a proposed Presidential Proclamation and a proposed Executive Order (copies attached).

The President commented that this proposal opened up a Pandora's Box. Had we done any historical research on this experience? What was our Civil War experience?

The Attorney General answered that in the Civil War we had not indemnified property owners in the North who suffered from Southern invasions.

Mr. Allen Dulles pointed out that the Germans and the Philippinos had had programs of war indemnification.

Under Secretary Morse gave as an example the problem of a lettuce farmer in Arizona who would be ruined if his highly perishable crop could find neither transport nor market.

Secretary Wilson agreed that we should look into the experience of Britain during the last war. He also commented that in any damaged area utilities should be restored first of all.

The President then said that he was coming more and more to the conclusion that, under the circumstances of chaos assumed in Operation Alert, we would have to run this country as one big camp -- severely regimented. No longer would only the armed services bear the brunt of war. Millions of homeless people would have to be sustained and helped and fed in soup kitchens and, compared with this responsibility, the objective of indemnifying property loss seemed rather insignificant. People will be lucky if their losses are only property -- and not their own lives.

Dr. Flemming pointed out that the problem was: What would happen to the credit structure of the country -- (considering all the loans and obligations on property)? How could this credit structure be restored?

Secretary Wilson suggested that we should have a moratorium on all debts.

Secretary Weeks commented that one could not discuss the restoration of the credit structure of industry without discussing the credit structure of the government itself.

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E.O. 11652, Sec. 11
NLE 77-53 Document #1
By MAA/DJH Date 6/1/77

~~TOP SECRET~~

The President said that his first reaction to the proposed Proclamation and Executive Order was negative. With what would the Government indemnify people? If the Treasury began to print money -- in 30 days it would be worthless. Are we going to try to protect every American and his property against the consequences of war? We don't know. Even now, we tell American parents that we must take their sons and put them in the Armed Services.

Secretary Wilson said that he proposed the moratorium on debts so that the farmer in Arizona would not have his land taken away from him when his crop failed.

The President commented that all the ordinary processes by which we run this country simply will not work under the circumstances we have assumed here. Our great fundamental problem will be how to mobilize what is left of 165 million people and win a war. We must be very much bolder in our whole approach. He insisted that we check into the British experience in the last war as a matter of urgency. He endorsed Secretary Wilson's suggestion.

Dr. Flemming then concluded that the indemnification problem represented a gap in our planning and that he would ask the appropriate agencies to work on this problem further and come up with a more acceptable solution.

Mr. Dulles commented that the Germans went into this question much more thoroughly.

Under Secretary Morse asked whether insurance companies had been consulted with reference to this kind of problem. Mr. Peterson replied that they had.

Under Secretary Larson pointed out that the States were going to have heavy burdens of Workmens' and Employment Compensation to cover those who were injured in bombed factories or who were unemployed because their places of work had been destroyed. With the magnitude of assumed damage, State funds for these purposes would be soon exhausted.

The President cautioned that we must stop depending on things that sustain usual life in a State. He reminded the Interim Assembly that there was no guarantee that the first attack would be the last.

Secretary Wilson commented that if we lose the war the people will lose all their property anyway.

Evaluation

Dr. Flemming then made a brief evaluation of some of the aspects of Operation Alert:

1) The instructions given to the agencies were considered adequate and effective.

2) It appeared that the instructions did not get wide enough staff distribution down the line within the agencies.

3) The movement to the sites went well although a few departments jumped the gun.

Communications

4) There was a piling up of communications. This was to be expected since we knew beforehand that the communication facilities were inadequate. There is now a request before the Congress which will allow the Signal Corps to build up a communications network among the sites and High Point. There are several other subsidiary conclusions concerning communications:

(a) Some of the agencies do not have enough people who are trained in Message Center operations, particularly under these conditions.

(b) Coding and decoding caused delays.

(c) Too many of the messages were over-classified or given too high a priority rating with the result that the communications system simply broke down in places.

(d) The messages at High Point numbered in the thousands including one 14-page document.

(e) Telephone communications were adequate though not secure.

Secretary Wilson suggested a method of fanning out communications: Set up 10 relay points which, having received a single identical message, could relay it to a hundred points, thus cutting by 90 the message load upon the originating message center.

The President, referring to the heavy traffic going through High Point, suggested that High Point need not be the crossroads for so many messages since most of them should, in fact, be sent by the agencies to each other around High Point. He asked that an analysis be made of the High Point messages.

Mr. Botkin commented that the basic concept of the telecommunications system established for Operation Alert was that it was designed to handle top level traffic only. Through High Point it seemed, staff level traffic had been put into the system; this was material which should have been handled by the agencies directly. As a result, High Point's channels got clogged.

The President then reminded the Cabinet Members to look into the installation of radio-telephones in their cars. They would not be secure but would have excellent range and be highly useful.

Dr. Flemming commented that ODM, with the help of the participating agencies, was going to draw up a detailed analysis and evaluation of the whole Operation Alert. He asked what should be done by the agencies to keep the relocation sites activated in case of emergencies.

The President then inquired about two-way television -- whether it was judged useful.

Mr. Botkin commented that, even though it was point-to-point television, the picture was not secure and a lip reader could do the rest.

Commander Beach expressed a different opinion and gave it as his view that two-way television was highly secure.

The President instructed OCM to check this carefully by monitoring. He went on to comment that many of the messages which need to be exchanged under these circumstances do not really require secure facilities. He also suggested that a Message Center Chief should be given firm authority to refuse to send a message if it seemed over-classified or too highly rated in terms of priority.

Secretary Weeks thought that there were too many requests from High Point for information which was too detailed to go through High Point.

The Attorney General mentioned that the FBI and Immigration Service had separate field communication systems.

The President commented that this was a real necessity and recommended the establishment of such systems to other agencies who could benefit by it.

The comment was also made that the preparation of the documents which translated IAG decisions into the instruments by which those decisions would be carried out ought to be executed much more quickly.

The President then commented that our Government has never before been organized on the basis that its decisions must go "click-click-click", but now when we are dealing with dire crises -- areas of chaos with millions of wounded needing help -- detailed staff-level messages would have to be shunted aside and transmitted later. The test one might use under such circumstances is what could an officer do -- could he really take action -- if a given message were sent through to him?

The Postmaster General cautioned that when a Message Center got behind, the agency head should be informed of the situation so that he would not go on sending or expect to receive messages at the accustomed rate.

The President commented that sometimes the greatest offenders in snarling up communication priorities were the VIPs themselves.

Martial Law

Dr. Flemming continued his evaluation by pointing out that as far as substantive matters were concerned we were not in a good position yet to evaluate Operation Alert. Certain basic decisions, however, came out of the discussions during this Operation which will have a very fundamental affect on mobilization planning activity from now on. The example he cited was the decision on martial law.

Secretary Wilson commented that this decision had the affect of moving the whole problem into a new area; that the problem was solved in principle but not in practice. Admiral Radford confirmed this and said that a great deal of discussion was going to be needed as to how to implement such a decision.

The President commented that he knew of no better way to solve this problem -- under the assumptions in Operation Alert -- and if anybody knew of a better idea, he should bring it out.

Admiral Radford said that he was not arguing with the decision but that he had been somewhat taken aback by the new rules.

Mr. Peterson then explained his view: that we would not place upon the military the responsibility for everything. The President had invoked martial law because it gave him authority to do things which he could not have done otherwise; the role of the military would be to support the civilian administrators in carrying out their duties. He did not think that the military ought to get into FCDA affairs except as needed to provide support to the civilian administrators.

Secretary Wilson commented that there was an old rule in military affairs never to give the military more authority than they could administer. At the President's request, Colonel Goodpaster recalled that there was a well-known course in Military Staff Colleges entitled "Military Aid to the Civil Power". It was that area of study, the President implied, which would fit military men to handle the kind of situation under discussion.

Mr. Peterson asked: Was it not the President's intention to utilize to the maximum the civilian agencies? The President said that it was. Mr. Peterson commented that some people were saying that under the martial law decision the military would simply take over completely. The President said: By no means!

The President cited the Attorney General's opinion that it was necessary to suspend the Writ of Habeas Corpus. This would mean that a person detained could not be released by the Courts, but it did not mean that the Courts would cease their functioning altogether.

The Attorney General expressed the consensus of the meeting when he said that the Cabinet would have to go into each field of mobilization carefully and work out for each the implementation of the decision on martial law. Dr. Flemming commented that we already had a task force which had been working on this problem for a month. ODM would continue to follow through on this matter.

The President repeated the assumptions of Operation Alert: 53 cities were bombed. He pointed out that if only half of that number had been touched or if only New York-New England cities were affected, this would be a much different situation. Those Governors would probably request martial law. There would then be occasion and opportunity to come back to such questions as indemnification and the credit structure.

Secretary Wilson asked for a report on what happened to the National Guard Headquarters and to the Army Command Headquarters and the Army Forces in the bomb damage.

The President summed up by emphasizing that the decision to invoke national martial law was for this problem alone. Under other assumptions, there would probably be other decisions; in fact, in logic one could say that we ought to have an infinite number of plans to cover all the contingencies.

Under Secretary Larsen inquired who would decide that a given person was to go to work in a given place --- the civilian manpower authority or the military authorities?

The President answered that such decisions would be made by those on the spot who had the responsibility for the health and safety of the populace.

Mr. Peterson commented that, in his opinion, much would depend on the local Mayors and Governors who are on the spot and who know the needs of their localities.

The President disagreed and pointed out that they would probably be as scared as anyone else unless we have done some advance planning with them.

Resuming his evaluation, Dr. Flemming and Mr. Botkin stated that we could have established communication with the field -- and that no cities were isolated by telephone; a few cities were isolated from TWX service. What communication facilities did survive however were enough to take care of only essential Government traffic. With respect to international communications, there had been severe damage to the control centers although the cable heads were intact. We assumed that our international radio communications suffered heavy jamming.

The President commented that millions of people have auto radios and that that would be one method by which to get out news and instructions.

Dr. Flemming told the President how impressed he was with the way all the Agency Heads had cooperated in handling the problems of Operation Alert.

The President went back to the question of dependence on Governors and Mayors. He suggested that the planning be carried on so that in an emergency, they would know that we would call upon them for certain things at a moment's notice. Perhaps we could ask each Governor, in an emergency, to become a Provost-Marshal-General. The important point was to have it clearly understood between us and them in advance what they could depend on from us and what we could depend on from them.

Mr. Peterson commented that the Governors could even be considered as the President's Lieutenants.

Mrs. Hobby commented that Governors were in military uniforms in World War I. This prompted the President to ask what historical research had been done on mobilization problems earlier in our history.

Secretary Weeks asked who would declare martial law if a Governor was wiped out.

The President reminded his Cabinet that this was "the new face" that war was wearing. He recalled that a tornado swept across a small area of Kansas and the States immediately wired FCDA for help. How are they getting themselves ready for a real catastrophe such as Operation Alert assumed?

Mr. Peterson commented that the States turn to Washington because the Government in the past has set itself up on the role of mother hen -- an unhealthy political philosophy.

The President said he could not agree more, but that this was not the occasion to discuss political philosophy.

Civil Defense Aspects

Mr. Peterson then briefed the Interim Assembly on the highlights of the

Civil Defense aspects of the Exercise: 46 states and most of the territories participated -- only Idaho and Nevada did not. The degree of local participation varied greatly from city to city; 43 cities were notified in advance that they were to be "bombed", while 10 received "surprise attacks". 3 cities (Fall River, New Bedford and Syracuse) conveniently assumed that the bombers attacking them had all been shot down. Portland, Maine and East St. Louis felt hurt at being left out of the planned "attack" and invented surprise "attacks" of their own. These variations were typical of the kind of unexpected situations which would obtain in a real emergency. The advanced warning time was assumed to be two hours; we hope to increase this time to 4 or 6 hours when the DEW Line is completed. Of 58 cities reporting, 35 cities simulated evacuation; 23 did not; 8 1/2 million people were assumed killed, plus 8 million injured, plus fall-out casualties which were not yet known because of the time required to identify this type of casualty. FCDA would have to feed and shelter 25 million people who were considered displaced and homeless.

The President's one comment was: staggering.

As the FCDA problem play went on, it was apparent that the supplies of whole blood were completely exhausted within the first few hours; that little manpower was available for cleaning up the debris but that none of the Federal stockpiles of medical supplies were denied to the Government because of fall-out. This latter situation was luck since different winds would have changed that picture. Mr. Peterson stated that FCDA has studied the phenomenon of fall-out and that he is getting complete cooperation from the AEC and others. He mentioned that Canada had worked hand-in-glove with us during this Exercise. He said that he expects to see some thousand exercises at the city level in the coming year.

Dr. Flemming asked each Agency Head to look into the question of how each Department is going to keep its relocation site active. He suggested that it would be a very good idea to keep a small group of perhaps communications people at these sites at all times.

Secretary Weeks made three comments:

1) We must give more thought to the dispersal of industry;

2) The top secret code ought to be buried some place adjacent to the relocation sites. Concerning this, Mr. Botkin commented that coding equipment is standard Signal Corps equipment.

3) The Weather Bureau and the Bureau of Standards have worked up a gadget which can help predict fall-out patterns.

Mr. Strauss commented that it would have to be a device which took into account very high level air currents.

The Postmaster General briefly mentioned the decentralization program of the Post Office and ended up with the simple statement that in Operation Alert the Post Office could continue to function.

Under Secretary Morse added the comment that the damage in Operation Alert had not knocked out much agricultural production -- a fact that would be discouraging to a potential enemy.

The Postmaster General then made the suggestion that in each community the Post Office be considered as an immediate rallying point or "place to start from". The advantage was that the location of the Post Office was known to everyone and that there were enough of them in any larger community so that they would never all be knocked out.

Mr. Peterson suggested that we hold a winter test but naturally the date would be checked with NSC to avoid any international complications. Even then, some of the States will probably go ahead now and start setting dates.

The President cautioned against trying to stop the States from doing this, since that might kill their enthusiasm.

Dr. Flemming then expressed his sincere thanks to the President for his personal participation in this 3-day Exercise and for his vigorous leadership for getting some of the basic problems out on the table and solved.

The President commented that this was simply his duty. He went on to request each IAG participant to express to his respective staff members not only the heartfelt thanks of the President for the work they have been doing but to impress upon them the importance of what they have done and how vital it is to keep pushing forward with this kind of planning. Each should realize, the President said, that the service he performs might mean the life of our Nation.

The President concluded by reflecting aloud on the deterrent effect of a test of this nature on the Soviet General Staff. War seen in this light would reveal itself to anyone as only an unmitigated catastrophe. Our test would probably not impress the Russians, but if they, knowing full well that we would hit them back in the event of such aggression upon us, ran such a test of their own, their eyes would be opened. If they should ever play out any of these problems for themselves, as we have done, such an exercise might well give them pause.

Maxwell M. Rabb
Secretary to the Cabinet

BHP, Jr.

~~TOP SECRET~~

WORKING DRAFT
JUNE 15, 1955

(Emergency Personal Credit)

DEFENSE MOBILIZATION ORDER NO. ___

Emergency Personal Credit

By virtue of the authority delegated to me and responsibility reposed in me by the President of the United States and Commander-in-Chief, I am issuing this Order covering the availability of essential emergency credit.

Section 1. Finding. The President has found that a grave crisis confronts the Nation, and that civilian morale, the restoration of order, and the national defense are threatened. Among the matters affecting civilian morale is the inability of refugees, in many situations, to secure sufficient funds for the maintenance of minimum living standards.

Section 2. Credit availability. (a) Bombed areas. In those areas under the jurisdiction of the Federal Civil Defense Administration, that Agency shall have full authority and responsibility for providing relief or, if it so concludes, for providing for such essential credit as is required to provide a minimum standard of living. Such programs shall be administered in accordance with regulations to be issued by the Federal Civil Defense Administration.

(b) Non-bombed areas. Persons living in areas outside those in (a) above, whose incomes are interrupted or terminated by virtue of war damage or effects, may secure such credit not to exceed $50 per family per week, from any established banking organization. Such loans shall be made in accordance with regulations to be issued by the Federal Reserve Board.

(c) Refugees. Migrants moving from one area to another because of wartime necessity, and others not falling within (a) and (b) above, may secure such credit not to exceed $50 per family per week, from any bank upon proper identification and, if a loan or loans already have been made, upon display of receipts showing such transactions. Such loans shall be made in accordance with regulations to be issued by the Federal Reserve Board.

Section 3. Guarantee of loans. All loans made in good faith shall become an obligation of the United States; and are hereby insured in their full amounts in accordance with regulations to be issued by the Federal Reserve Board.

Section 4. Indemnification offset. Wherever possible, loans provided by this Order shall be deducted from later indemnification payments by the appropriate governmental agency administering a program of indemnification. Procedures for such repayments shall be governed by regulations to be issued by the Secretary of the Treasury, the Federal Reserve Board, or other appropriate agency.

Section 5. Limitations. This Order is limited to the types of situations prescribed. Procedures for the guarantee of industrial and commercial loans, and for their repayment, as well as for indemnification payments, shall be governed by regulations to be issued by the Secretary of the Treasury, Federal Reserve Board, or other appropriate agency.

Section 6. Effectiveness. This Defense Mobilization Order shall be effective immediately.

Director
Office of Defense Mobilization

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~~TOP SECRET~~ **Indemnification**

Working Draft - June 15, 1955

PRESIDENTIAL WAR DAMAGE PROCLAMATION

By virtue of the authority vested in me as President and Commander-in-Chief, this proclamation is hereby issued:

The attack has inflicted great destruction upon our economy in terms of casualty and property damages.

The damages are greater than can be borne by the resources of individuals or insurance companies. In most cases, ordinary insurance does not cover war-caused damages.

The effects of the attack have left many families without their bread-winner or means for income, many corporations and businesses have suffered partial or complete loss of their assets and facilities, and the magnitude of this sudden destruction is threatening the credit base of the economy.

Civilian losses caused by war are as much a national cost of war as are the costs of military actions. I am, therefore, asking the Congress as soon as it can assemble to pass a resolution proclaiming the Government's responsibility for the indemnification of war-caused damages.

I am also asking the Congress to begin work on legislation establishing the basis for regulations and procedures under which indemnification of war-caused damages can be administered.

When payment of indemnification claims can begin, not all the money can be used immediately to start reconstruction. Our first task must be to win the war. To this end, strict adherence must be made to regulations governing the wartime use of essential manpower, materials, and services.

Until such time as these indemnification procedures can be fully developed and placed in operation, I am instructing the Director of the Office of Defense Mobilization to take such steps as may be necessary to make emergency government-guaranteed credit available.

~~TOP SECRET~~

DECLASSIFIED
E.O. 11652, Sec. 11
MR 78-160 #1
By J.W. Date 8-30-78

~~SECRET~~

CABINET PAPER—PRIVILEGED

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June 18, 1955

The following Summary is distributed for the action of all the Agencies concerned under the coordination of the Director of the Office of Defense Mobilization.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

* * * *

ACTION SUMMARY OF THE SECOND PLENARY MEETING OF THE INTERIM ASSEMBLY, RAVEN ROCK CONFERENCE ROOM
11:00 - 12:15 A.M., FRIDAY, JUNE 17, 1955

ACTION SUMMARY

A. WAR DAMAGE INDEMNIFICATION

ACTION:

1) The Director of the Office of Defense Mobilization is to reconsider this whole question with the agencies concerned and to come up with an acceptable approach.

2) ODM is requested, on an urgent basis, to look into the UK experience with this problem during the last war.

B. MARTIAL LAW

ACTION:

1) The decision to invoke national "mock" martial law is to be considered as following only from the assumptions and circumstances of Operation Alert 1955.

2) Under those assumptions, the Director of the Office of Defense Mobilization, in cooperation with the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Administrator of FCDA, is requested to study the application of the martial law decision area by area (e.g., to manpower, to transport, to communications, to civil defense, etc.) and to work out with respect to each the proposed respective roles of civilian administrators and military commanders.

C. EVALUATION

ACTION:

1) The Director of the Office of Defense Mobilization will make an evaluation report to the Cabinet by July 1. This report should include:

(a) an analysis of the messages handled at High Point;
(b) the question of whether adequate radio telephones have been installed in Cabinet Members' cars;
(c) provision for a thorough check, including monitoring, on the security of two-way television;
(d) giving serious consideration to delegating to Message Center Chiefs the authority to reject any messages submitted for transmission which are over-classified or over-rated as to priority.
(e) giving consideration to whether each of those agencies having widespread field establishments should not have a separate communications system linking those establishments;
(f) giving consideration to having Post Offices designated as collection points or civilian command posts in each area.

D. RELOCATION SITES

ACTION:

Each Cabinet Member is requested to submit to the Office of Defense Mobilization recommendations on the best manner in which his relocation site should be kept activated on a stand-by basis.

E. STAFF PARTICIPATION

ACTION:

The President requested each Cabinet Head to express to his staff the sincere thanks of the President for the cooperation and the hard work which they have all shown and at the same time to impress upon them the importance of what they have done in terms of the national security.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GHe NLE, Date 1-21-77

MINUTES OF CABINET MEETING

July 1, 1955
9:40 A. M. 11:00 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles, and
  Under Sec. Hoover
Sec. Humphrey
Sec. of the Army Stevens
  (for Sec. Wilson)
Mr. Brownell
Deputy PMG Hook
  (for Mr. Summerfield)
Under Sec. of Interior Davis
  (for Sec. McKay)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chrm. Young
Dr. Burns

Asst. Sec. of Defense Burgess, in part
Mr. Streibert, USIA, in part
Mr. Washburn, USIA "
Mr. Allen Dulles, CIA "
Gen. Cutler
Adm. Radford, JCS
Adm. Strauss, AEC, in part
Gen. Willard Paul, ODM
Gov. Peterson, Civil Defense, in part
Mr. John B. Hollister, ICA

Gov. Adams
Gen. Persons, in part
Mr. Shanley
Mr. Seaton, in part
Dr. Hauge
Mr. Martin, in part
Mr. Hagerty
Mr. Murray Snyder
Mr. Rabb
Comdr. Beach, in part
Col. Goodpaster, in part
Mr. Minnich

International Cooperation Administration - Sec. Dulles noted that Mr. John Hollister was becoming the Director of ICA, which would be a semi-autonomous agency carrying out all operating responsibilities and making all necessary presentations to Congress. The Secretary would himself be involved only in policy guidance.

The President ascertained that Congress had not granted ICA the requested six-month reorganization authority. Sec. Dulles pointed out that without this authority the desired reduction in staff could be accomplished only through the painful bumping process.

Mr. Hollister spoke briefly of his desire to achieve all possible cooperation throughout the Government.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 1-21-77

Communist Propaganda - With the assistance of State and CIA, Mr. Streibert made an extensive presentation of Communist propaganda techniques. He emphasized that agitation, particularly on a person to person basis, was an integral part of the Communist effort.

Mr. Streibert then discussed and illustrated with films and recordings some examples of the Communist use of handbooks, posters, the arts, broadcasts, trade fairs, and front organizations. He illustrated also the Russian effort to jam the broadcasts from the free world.

The President believed it would be useful to make this presentation to the Congressional leaders of both parties prior to the bipartisan meeting scheduled for the 13th. Gen. Persons was designated to pursue the matter.

Operation Alert 1955 (CP-29) - Dr. Flemming noted the numerous documents included in CP-29 and advised that they would be of considerable use to all departmental staffs. He called particular attention to a number of items in the covering paper and within the reports.

Dr. Flemming believed that a complete test should not occur more than once a year, that the next scheduled one should probably be in June, 1956, and that it might become advisable for the military forces to participate through war games. He urged that each agency head operate a surprise alert sometime between mid-November and mid-February. He pointed out that ODM intended to organize a group to work on continuing unannounced testing.

In connection with the reference in Attachment D to martial law, the President directed the Attorney General and all others concerned to explore every possible substitute for martial law as the basis of Presidential actions in such an emergency. He commented that in the recent alert the decision had been to take the quickest and easiest action to cope with the tremendous damage reported, but he believed that that action should not, in itself, justify settling on it for future emergencies. He felt that the Attorney General should not be satisfied with any proposed solution until exhaustive studies were completed.

The President also called to the attention of Cabinet members the problem of communications in an emergency. He recalled his wartime experience as well as the recent alert, and proceeded to stress the importance of any official being able to get in touch immediately with others.

He suggested a small private intercommunication system for each Secretary's relocation point, and a special "red line" system connecting exclusively the highest Government officials.

Steel Strike - Sec. Mitchell stated that the pattern set by the recent

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automotive negotiations seemed to the steel companies to be too high. He believed that the company and the union were not very far apart and that the strike would not be of long duration. He also believed that a settlement in either the copper strike or the steel strike would lead to the end of the other.

* * * *

Sec. Dulles on behalf of the Cabinet expressed best wishes to the President and Mrs. Eisenhower on their wedding anniversary.

JAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

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THE WHITE HOUSE
WASHINGTON

June 27, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Agenda for the July 1 Cabinet Meeting

The following items are, subject to your approval, scheduled for the Cabinet Agenda of July 1:

Item 1: The International Cooperation Administration

Mr. John B. Hollister assumes his new duties as Director of the International Cooperation Administration in the Department of State on July 1. Under Secretary Hoover and Governor Stassen think it fitting that Mr. Hollister be introduced to the Cabinet and invited to say a few general words about his plans and terms of reference. The purpose: to enlist the cooperation and support of those around the Cabinet table for Mr. Hollister in his challenging new assignment. It is suggested that you lead off, introduce Mr. Hollister, and emphasize how much government-wide teamwork will be required to carry through this continuing, vital program.

I suggest that Mr. Hollister be invited to remain for Item 2.

TIME SET: 5 minutes

Item 2: Communist Propaganda in the Cold War

State and Mr. Rockefeller feel that not only National Security Council Members, but every member of the Cabinet is concerned with the world-wide, unceasing efforts of Communist propaganda. The Post Office Department (for the mails), the Agriculture Department (for proposed farmers' visits) and the Justice Department (for internal security) are as vitally involved as State or Defense in understanding and counteracting the threat of Kremlin-directed subversion. They also feel that the imminence of the Big Four Meeting makes this subject particularly timely.

Some time ago, Mr. Streibert of USIA was planning a private appointment with you during which he was going to give you a one-half hour briefing on Communist propaganda to be repeated before you and a larger group. Mr. Shanley and I arranged to save time all around by having the presentation given once, to you, to the Cabinet and to the NSC simultaneously. Mr. Streibert has been polishing this presentation carefully -- and I have personally gone over it twice in dress rehearsal. This presentation, with its visual and audio accompaniments, is going to be a most impressive and unusual talk.

TIME SET: 25 minutes

Item 3: Evaluation of OPERATION ALERT, 1955

As Dr. Flemming mentioned in the Cabinet Meeting at Ravenrock on June 17, he wishes to bring up with you and the Cabinet the evaluation of the recent Relocation and Civil Defense Exercises -- before impressions and suggestions get any colder from the passage of time. I have given Dr. Flemming and the agencies an Action Summary of the Ravenrock Meeting. In addition to using this, Dr. Flemming and Governor Peterson have collected and analysed comments from each of the participating agencies and from the various inspection teams which monitored the Exercise.

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TIME SET: 20 minutes

On the basis of these comments certain conclusions and recommendations will be proposed for Cabinet concurrence.

Maxwell M. Rabb
Secretary to the Cabinet

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By DHC NLE, Date 8-17-77

MINUTES OF CABINET MEETING

July 8, 1955
10:05 A. M. - 11:50 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Deputy PMG Hook
  (for Mr. Summerfield)
Sec. McKay
Under Sec. of Agriculture Morse
  (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Dr. Burns
Chairman Young

Gov. Adams
Gov. Stassen
Gen. Persons
Gov. Pyle
Mr. Shanley
Dr. Hauge
Mr. Morgan
Mr. Murray Snyder
Mr. Rabb
Mr. Patterson
Mr. Minnich

Public Relations - The President believed that much more could and should be done to develop public awareness of Administration activities. He believed that such an effort should go far beyond Cabinet members themselves by enlisting the help of friends outside the Administration. He stated that he was directing Gov. Pyle to see how highly such an effort could be organized, and he hoped that Cabinet members would cooperate fully, thus helping to offset pure demagoguery such as that addressed against the school program.

World Petroleum Congress - Sec. McKay, in reporting on his trip to this Congress in Italy, called attention to the Middle East oil situation and pointed out three difficulties with which US operators must contend: (1) the impression abroad that US policy was directed in favor of Israel; (2) the difficulty of competing with continental cartels in the face of

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US anti-trust laws; and (3) the Arab feeling that further price reductions would fail to produce any income increase.

Sec. McKay also expressed high regard for Government personnel stationed abroad, noted the President's tremendous popularity in Europe, and reported European optimism about its economic prospects.

In connection with a comment on the effectiveness of the Marshall Plan in preventing the growth of Communism in Italy, the President responded that had it not been for the money spent on the Marshall Plan, a hugely larger sum would have had to be spent on our defense establishment. He felt the Marshall Plan had given us a tremendous return on our investment.

Pending Tax Legislation - Sec. Humphrey noted the number of bills pending in Congress for various tax reductions. He stated that the Treasury is opposed to any bill that would result in a reduction of Government revenue. He believed that several of the departments had particular interests in some of the bills, such as that which would allow Foreign Service personnel to bring a certain quantity of articles home duty free. In such cases, Mr. Humphrey believed that the departments might consult with Treasury concerning Treasury's presentation of its views.

Taxation of Cooperatives - Sec. Humphrey stated that Treasury had been requested by Congress to report on bills concerning taxation of cooperatives, that Treasury had long delayed in doing so, and that it seemed better to report this year rather than be forced to do so in 1956. He then read a draft letter to the Chairman of the House Ways and Means Committee which reviewed cooperative taxation matters and pointed out that the 1951 law had been intended to end the tax-free status of cooperatives. The intent was not fulfilled, however, because cooperatives had bypassed the law by issuing to members certificates of non-cash distribution. Congress expected that members would have to pay tax on these certificates, but court rulings have held that they cannot be taxed. At the same time, the cooperative escapes the 52% tax on undistributed earnings. The draft letter went on with the phrase "we therefore suggest" a plan whereby these certificates would have to be issued in such a form that they would be taxable and the tax would be withheld at the source (that is, the cooperative), thus overcoming the present court objections to taxation.

In discussion, Mr. Morse emphasized the problem of timing because agricultural matters at present are desirably quiet. Mr. Dulles noted that the letter would have to be altered to make clear that these certificates would have to be issued in a taxable form. The President saw the matter almost entirely as one of achieving fairness, or correcting an unfair practice, rather than one of taxation. He suggested that the Administration role in the matter might be focused on the Small Business Administration, since it is small businesses that are most hurt by the

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practice. He believed that the letter should call attention to the fact that cooperatives are permitted to sell to non-members and are exempt in case of capital distribution from the 52% corporation tax. The President thought that the Administration should help to rectify this injustice no matter what the political consequences. He believed, however, following Mr. Stassen's suggestion, that the Treasury letter should confine itself to analyzing the situation without making recommendation, thus laying the matter before Congress for whatever action it thought appropriate.

Gov. Stassen called attention to the fact that cooperatives have certain liabilities as well as privileges and that there was justification for continuation of some privileges. He cited the situation which prevents cooperatives from raising capital by selling stock, etc. He noted also the devotion that farmers have to cooperatives because of situations dating back to the nineteenth century.

It was agreed that Sec. Humphrey would work over the draft letter with Sec. Benson, taking into account the various suggestions made in this discussion and carrying out the President's analysis of what the letter should contain. The President's Special Counsel will also be consulted.

In a brief discussion of the farm situation, Sec. Dulles pointed out that recent wage increases might lead to a price spiral in manufactured goods, thus further weakening the farmer's position. Sec. Humphrey agreed on the importance of the farm problem, then went on to point out that some manufacturers felt they would have to reduce production rather than increase prices any further. He recognized that the number of farmers in the nation was decreasing and that in order to stay solvent a farm almost had to be large and well equipped with heavy machinery. He commented on the importance of eliminating surpluses overhanging the market if the trend of farm prices was to be corrected. Mr. Morse added that it was still too early to make firm estimates on the crop yields this year.

Conflicts of interest (CP-30) - Sec. Wilson referred to Hoover Commission comments on this subject, took note of the Defense Department directive requiring self-disqualifications where any conflict might occur, and commented on the tendency of this problem to increase the difficulty of securing well-qualified personnel for Government service.

The President reported the comments of a Member of Congress who believed that the law was obsolete and that Congress -- not the Executive Branch -- should undertake to initiate repeal or revision of it. The President believed that Congressional initiative might be in order, or that the Administration could raise the subject as a routine part of its action on the Hoover Commission recommendations.

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Dr. Flemming believed the Administration should not attempt to act on the matter at the moment because of the numerous current Congressional debates and inquiries into alleged cases of conflict of interest. He noted that consultants in ODM were operating under an Executive Order of the previous Administration. Sec. Wilson expressed some dislike for the use of WOCs in peacetime.

The Attorney General saw two important aspects of the problem: (1) that of a violation of criminal law, which could be avoided by disqualification; and (2) that of Congressional politics, where in confirmation proceedings Members of Congress could go much further than the law required in setting limits on the private activities of an individual. Sec. Weeks pointed out that Commerce Department's WOCs did not participate in policy decisions.

It was agreed that the primary interest in revision of current practices rested on the Hoover Commission and the follow-up on its recommendations, hence could best be urged by those identified with the Commission, such as the Citizens Commission for the Hoover Report, or Congressional members.

Executive Pay - In response to a query from Sec. Wilson, Mr. Young indicated that a recommendation to the President on this matter would soon be ready. The President inquired as to whether any effort should be made to alter the relationship of salaries for particular positions to each other. Mr. Young believed that any such alterations should be handled separately and that the Administration should request a straight percentage increase. Otherwise, a Pandora's box would be opened too late in the session.

Mr. Young noted the difficulties created by the fact that the bill had to deal with some 250 jobs outside the Executive Branch and by the question of raising the ceiling still imposed on Grade 18's who did not get a general raise in the Classification Act increase.

Wheat Referendum (CI-29) - Sec. Morse warned against any interpretations of the wheat referendum in terms of approval of flexible supports, for the referendum merely revealed a preference for 75% supports over 50% supports.

Mr. Morse went on to state his conviction that the solution of the agricultural surplus problem would come, not from any one bright idea, but rather by a many-sided whittling away at the surpluses.

Labor Day Observation - Sec. Mitchell pointed to the need for showing more clearly the beneficial effect on workers of Administration policies. He believed that Labor Day provided a real opportunity for the Administration to work toward this end, especially since Labor Day had seemed to lose its significance and become merely another holiday.

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Sec. Weeks pointed to the benefits to the worker of tax reduction alone, and the Vice President emphasized the general prosperity of the nation under this Republican Administration.

The President suggested that a "Labor week" program might be instituted. Dr. Flemming suggested a Presidential proclamation in connection with it. It was agreed that Sec. Mitchell should, as suggested by Sec. Humphrey, work up an Administration program for the occasion.

* * * *

The President brought the meeting to a close with the suggestion that a Cabinet meeting be held the following week even though he might have departed for Geneva (partly to work out a plan as stated in the preceding item).

LAM
L. A. Minnich, Jr.

Copies to:
  Mrs. Whitman ✓
  Mr. Rabb
  Mr. Minnich

~~CONFIDENTIAL~~

CP - 30

July 8, 1955

THE WHITE HOUSE
Washington

THE CABINET

Conflict of Interest Statutes

For consideration by the Cabinet, attached is a brief paper, with attachments, prepared by the Department of Defense.

This paper, citing two recent Hoover Commission Recommendations, proposes an additional proviso to Section 434 of Title 18 of the U. S. Code. The suggested proviso is appended as the first attachment to the Defense paper. Also attached, for information, is a copy of a statement of policy which the Secretary of Defense issued to the appropriate elements of the Department of Defense on this subject, dated January 28, 1953.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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July 7, 1955

THE CABINET

Conflict of Interest Statutes

PROBLEM:

Existing conflict of interest statutes are working against the recruitment of highly qualified people for Government service.

BACKGROUND:

In recognition of this problem, the Hoover Commission made the following recommendations:

> *"We recommend that the President and appropriate committees of the Congress review the conflict of interest laws to determine whether the intent of such laws can be better achieved by other and more positive means which would encourage rather than discourage entry of competent men into public life."
>
> **"Congress should enact legislation to minimize present obstacles to Government service by outstanding citizens, and should provide positive incentives which will attract and hold able administrators. Examples of improvements which should be made are
>
> a. Increase the level of compensation . . .
>
> b. Modify the conflict of interest laws so that Presidential appointees are not forced to liquidate life time business equities in order to accept Federal appointment. Instead new appointees should take an oath (as part of his regular oath of office) that he will disqualify himself, particularly in any decision which involves his company or financial interest."

RECOMMENDATION:

The Secretary of Defense recommends that the Administration sponsor and support legislation to the present session of Congress along the lines of the attached proviso.

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* Recommendation 5 of Report on Personnel and Civil Service.

** Recommendation 12 of the Report on Business Organization of the Department of Defense.

Section 434 of Title 18 of U.S. Code

S.434 Interested Persons Acting as Government Agents

Whoever, being an officer, agent or member of, or directly or indirectly interested in the pecuniary profits or contracts of any corporation, joint-stock company, or association, or of any firm or partnership, or other business entity, is employed or acts as an officer or agent of the United States for the transaction of business with such business entity, shall be fined not more than $2,000 or imprisoned not more than two years, or both. (June 25, 1948, c.645, 62 Stat. 703)

Add the following proviso:

Provided, however, that whenever any person who is being considered for appointment in which he will be employed as or acts as an officer or agent of the United States for the transaction of business with any corporation, joint-stock-company, association, firm or partnership, in which he is a holder of a substantial portion of stock (including holdings under a pension plan), or other substantial interest therein, he shall not be required to divest himself of such stock or interest if he shall upon appointment take an oath that he will disqualify himself from dealing with any such business entity.

Provided further that whenever the duties of the office to which such person is appointed involves the transaction of business with such a business entity, he shall refer such transaction to his immediate superior, except that with respect to the head of an Executive Department or independent agency, he shall refer such transaction to the Deputy or Under Secretary or similar official of such executive department or agency.

THE SECRETARY OF DEFENSE
WASHINGTON

January 28, 1953

**MEMORANDUM FOR THE SECRETARIES OF THE MILITARY DEPARTMENTS
THE ASSISTANT SECRETARIES OF DEFENSE
THE CHAIRMEN OF BOARDS, COUNCILS AND COMMITTEES
THE ASSISTANTS TO THE SECRETARY OF DEFENSE
THE DIRECTORS OF OFFICES, OSD**

SUBJECT: Conduct of Personnel Assigned to Procurement and Related Activities.

Under the authority vested in me as Secretary of Defense, you are directed to bring to the attention of all personnel the laws applicable to situations involving conflicts of interest. It is the responsibility of each individual officer and employee to comply with the laws of his country. Particular attention is directed to Section 434, Title 18, United States Code.

It is a recognized principle that no Government officer or employee who has the direct responsibility for negotiating and signing contracts or approving the payment of money to contractors, should have any financial interest in any such contractor. No Government officer or employee should permit himself to be exposed to a dual-interest position or to a conflict between self-interest and integrity. He should clearly be in a position to act to the best of his ability without fear or favor in the best interest of his Government.

In any case where an officer or employee of the Department of Defense, including all of its departments and agencies, has any financial interest in any business entity, corporation, or partnership, transacting or contemplating transacting business with the Government that officer or employee is disqualified, and this directive expressly disqualifies him, from having any dealings of any kind for or in behalf of the Department of Defense with such business entity.

While a conflict of interest, as may be defined by the law, is a matter of fact in a particular case, even if a technical conflict does not in fact exist, it is desirable to avoid the appearance of a conflict of interest from a public-confidence point of view. The additional problem is how can officers or employees of the Department of Defense be disqualified in the relatively few cases where they or their superiors think there is or may be some conflict of interest.

In any case where an officer or employee of the Department of Defense, including all its departments and agencies, feels that he should be disqualified from taking action in a particular matter, it is his duty to so inform his superior or department head, and he will be relieved of his duty and responsibility in that particular case. The matter will then be assigned to someone else of equal or higher rank, who clearly has no conflict of interest for decision and action.

In any case where any superior who thinks that an officer or employee reporting to him may be involved in a conflict of interest, or an apparent conflict of interest of importance from a public confidence point of view, he will discuss the matter with the person involved and may relieve such officer or employee of responsibility in the case. He will then assign the responsibility for taking action to someone else of equal or higher rank who clearly has no conflict of interest for decision and action, or he may take the responsibility for decision and action himself.

In any case where any of the Secretaries or civilian departmental officials appointed by the President by and with the advice and consent of the Senate may be so disqualified in a particular case, the matter will be referred for action and decision by the Secretary of Defense, or his Deputy, to another departmental official of equal or higher rank, who has received his appointment from the President by and with the advice and consent of the Senate, or the Deputy Secretary or the Secretary of Defense will rule on the matter himself and take full responsibility for any actions taken.

This directive supersedes any existing departmental directives and regulations applicable to standards of conduct of personnel assigned to procurement and related activities to the extent that they are inconsistent with this directive.

C.E. Wilson

CC: Joint Chiefs of Staff

Attached is Statement made by Secretary McKay at the Cabinet Meeting on Friday, July 8, 1955.

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P
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There are several conclusions that I reached as a result of my attendance at the Fourth World Petroleum Congress in Rome which I think may be of interest.

This Congress, which met from June 6 to June 15, is held every four years. Its purpose is to examine and discuss scientific, technical and economic matters affecting world-wide production and use of petroleum and petroleum products.

As a member of the Committee of Honor, representing the United States, I had an excellent opportunity to meet and talk with the many foreign officials who attended the Congress, as well as the oil men from the United States and other countries who were there.

These exchanges of views and the actual proceedings of the Congress were very enlightening in indicating some of the problems which we in the United States are facing now, and will have to face increasingly in the future, with regard to international oil development, production, and distribution.

Of particular value in providing specific information on the problems in the Middle Eastern Oil area were the reports which I received from Assistant Secretary Felix Wormser of our Department who completed a tour through these fields just prior to the Congress.

As a result of all of these discussions, I reached the very definite conclusion that the Middle Eastern oil fields are the most important pieces of property in the world today, not only from the standpoint of the defense of the free world, but also for the future prosperity of our Nation.

The United States no longer possesses the largest oil reserves of the world. Indeed, if you throw the proven reserves of all North and South America together, their combined petroleum reserves are only about one-half that of the Middle East.

The proven reserves in this area are enormous and the potential areas for further exploration and development offer rich promises for the future. Hence, the area has attracted and will continue to attract the eager attention of foreign governments and petroleum companies throughout the Western world.

Our huge and growing consumption of oil already is dependent on Middle Eastern crude supplies to supplement our own production.

In view of this situation, it is apparent that we must face up to the prime difficulties which American operators have had to contend with in the Arab world.

The first of these is the impression the previous Administration may have given that its Middle Eastern policies were slanted in favor of Israel.

The second is the Communistic charge that the American oil companies do not conduct their business affairs according to our anti-trust laws.

They cite the charges of a Federal Trade Commission staff report, published in 1952 by the Select Committee on Small Business under Senator John Sparkman, to buttress these claims. I might add that this staff report has never received the endorsement of the Federal Trade Commission itself.

There is an obvious conflict between our own anti-trust philosophy and the cartel idea which is so prevalent abroad. But the vulnerability of the whole Middle East to Russian penetration is also obvious.

We must consider the difficult political and operating problems faced by any American oil company in the Middle East. We must also consider the desirability of the increase in the participation of United States interests in that area.

Luckily for us, the Russians do not have any private enterprise companies to deal with Middle East Governments as we do. Apparently, Apparently, also, no area as yet in the Middle East is tempted to invite Russian Government participation for developing petroleum resources. But times can change.

Another current problem is the report issued by the United Nations entitled "The Price of Oil in Western Europe". This report has created a furor among the Arab countries since it argues for lower prices on Middle East petroleum sold in Europe. The cost of production in the Middle East is already lower than anywhere else in the world. The Arab Nations contend that any price reduction they might make would be quickly offset by additions to the heavy taxes which already burden gasoline consumption in Europe.

I have, of course, over-simplified all of these very difficult and complex matters in order to make this presentation as brief as possible. I should be happy to provide a more complete report on these observations for any of you who may be particularly interested.

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CI - 29

July 6, 1955

The White House

Washington

THE CABINET

The Wheat Referendum

For information of Cabinet Members, attached is a brief background paper prepared by the Department of Agriculture concerning the June 25 wheat referendum.

This memorandum cites the basic facts of the voting, gives a series of interpretive comments from the Department of Agriculture, and outlines the several administrative and legislative measures now being put forward to prevent the continued accumulation of unmanageable wheat surpluses.

This paper is circulated for the background information of the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

The Wheat Referendum

	This year's vote, for the crop to be harvested in 1956	Last year's vote, for the crop to be harvested in 1955
Number voting	328,049	284,646
Percent in favor	77.5 percent	73.3 percent
Acreage	55 million	55 million
Support level	$1.81	$2.06
Percent of parity	76 percent	82½ percent

Comments:

1. Department gave the farmers all the facts, without attempting to influence them. Presumably farmers acted on basis of the facts. Recognized that we can not go on piling up wheat indefinitely.

2. Approval of the quotas will result in smaller wheat production than would otherwise have been the case.

3. Flexible support versus mandatory 90 percent support was not an issue in this referendum. Main issue was whether support should be at 76 percent or 50 percent of parity with eligibility for price support at either level limited to participators.

4. High vote favoring quotas not an indication that farmers are happy with strict controls. The alternative to quotas was unattractive.

5. The vote did not, of course, solve the problem of the previous accumulations of enormous wheat stocks in government hands.

6. Progress is now being made in program developments which in time will help solve our problems. Some parts of this development are now pending in various bills before the Congress. Others are being handled administratively. We are pushing forward on the following items:

   a. Discounts in 1956 for certain less desirable wheat varieties and premiums for better quality.

      (This is a matter for administrative determination)

   b. Broadening of non-commercial wheat areas.

      (Passed Senate 3/28/55. Referred to House 3/29, where no action has been taken to date.)

   c. Exempt from quotas those farmers who use all their wheat for feed or seed.

      (Still in Senate Agriculture Committee.)

   d. Extend special durum provisions to the 1956 crop.

      (No legislation introduced yet.)

e. Consider programs to help farmers make needed adjustments in their pattern of land use. The Great Plains program now being developed is an example.

(This is both administrative and legislative. We have not requested any specific legislation yet.

f. Working for increased marketings, both at home and abroad, as well as furnishing wheat to meet disasters and aid friendly nations.

(This is an administrative matter.)

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CA - 27

July 20, 1955

The White House

Washington

THE CABINET

Agenda

Friday, July 22, 1955 - 9:00 A. M.

1.	Report from the Geneva Conference	(Oral)	The Acting Secretary of State
2.	Action Status Report	CI - 7/2	The Secretary to the Cabinet
3.	Proposal for Labor Week	(Oral) ~~CP - 31~~	The Secretary of Labor
4.	The Administration's Public Position	(Oral)	The Vice President

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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SPECIAL COPY FOR
THE VICE PRESIDENT

CA - 27
July 21, 1955

The White House
Washington

THE CABINET

Agenda

9:00 A.M., Friday, July 22, 1955

(Photographs will be taken)

	1.	Item One:	Report from the Geneva Conference TIME SET: 20-Minutes	(Oral)	The Acting Secretary of State
*	2.	Discussion of Gift to Mrs. Hobby		(Oral)	The Vice President
*	3.	Arrival of the President from Geneva		(Oral)	The Vice President
	4.	Item Two:	The Action Status Report TIME SET: 2 Minutes	CI - 7/2	The Secretary to the Cabinet See Tab 2

POLITICAL MATTERS

	5.	Item Four:	The Administration's Public Position: INTRODUCTION	(Oral)	The Vice President
*	6.	Remarks		(Oral)	Governor Pyle
	7.	Item Three:	Proposal for Labor Week	(Oral)	The Secretary of Labor
*	8.	Conduct of Investigations		(Oral)	The Attorney General
*	9.	Remarks		(Oral)	Chairman Hall
*	10.	Remarks		(Oral)	Senator Goldwater
*	11.	Remarks		(Oral)	Congressman Simpson
*	12.	Proposed Presidential Report to the Nation at the End of the Congressional Session		(Oral)	The Vice President See Tab 4

* - Not listed on the Agenda distributed (which follows)

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
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E.O. 11652, Section 1
By GHC NLE, Date 3-17-77

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MINUTES OF CABINET MEETING

July 22, 1955

9:00 a.m. -- 11:45 a.m.

The following were present:

Vice President Nixon

Mr. Hoover
  for Sec. Dulles
Sec. Humphrey
Sec. Wilson
AG Brownell
Mr. Charles Hook
  for PMG Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Mr. Roswell Perkins
  for Sec. Hobby

Mr. Rowland Hughes, BoB
Dr. Arthur Flemming, ODM
Mr. Philip Young, CSC
Amb. Lodge
Mr. Leonard Hall
Mr. Robert Humphrey, RNC
Sen. Barry Goldwater

Rep. Richard Simpson
Mr. Robert King, Vice President's Office
Mr. Marion Folsom, Treasury
Mr. William Rogers, Justice
Dr. Burns, CEA

Gov. Adams
Gen. Persons
Mr. Seaton
Dr. Hauge
Gov. Pyle
Mr. Martin
Mr. Morgan (in part)
Mr. McCann (in part)
Mr. Masterson
Mr. Rabb
Mr. Patterson (in part)
Mr. Minnich

In the absence of the President (at Geneva), the Vice President presided. He requested Sec. Benson to offer an opening prayer, which the latter did, invoking divine guidance for the President at Geneva.

Report on Summit Conference - Mr. Hoover first noted that the President's return to Washington is tentatively scheduled for early Sunday afternoon.

At the Conference, the outstanding event thus far, said Mr. Hoover, was the President's proposal for aerial inspection. This and the offer to exchange blueprints serve as indicators of the great strength of the United States' desire for peace. The West has also made clear that German unification is an urgent matter. Mr. Hoover added that the one new thing from the Russian side is their apparent acceptance of West German participation in NATO.

Mr. Hoover said that the British and French had received the President's

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By DHC NLE, Date 3-17-77

proposal very well, though they had been taken somewhat unawares by it. Mr. Eden, however, may be somewhat rueful that his neutral zone proposal has thus gone by the board.

Mr. Hoover reported that the Russian reaction to the President's proposal, informally, was to play it down as merely an extension of existing intelligence efforts. Within Russia, the press at first had made no mention of the substance of the proposal but subsequently had published it.

Quoting further from the report received from Geneva, Mr. Hoover said that our officials believed there is some possibility that the Russians may come around a bit by the end of the meeting. They think that the President has had a tremendous impact on the Russian leaders, particularly through his statement on the peaceful purpose of NATO.

Mr. Hoover then briefly described the vast documentation built up in preparation for the Conference, the numbers of people participating, and the excellent records being sent back quickly to the Department. He paid a special tribute to USIA for its handling of Conference material.

Amb. Lodge commented on the great significance of the aerial mapping proposal, describing it as the most significant thing the United States has done in relation to Russia since the end of World War II. He emphasized the need for keeping this proposal alive through further international conferences ahead. He thought world opinion might become so strong in support of it that Russia might have to accept it. Mr. Lodge also suggested that public use be made of the great documentation Mr. Hoover had described. The Vice President thought it would be very useful background for the press. He felt the American people should understand that their country has never been better prepared nor better represented at an international conference.

Sec. Benson hoped the President would make a full report to the public on his return. Gov. Adams said that this was under consideration, that an answer might be had from Geneva today, and also that an address to the Congress had been proposed.

The Vice President recounted the steps taken to inform Congressional Leaders of the President's aerial inspection proposal in advance of presentation. He said that the Congressional reaction had been very good.

There was brief discussion of arrangements for greeting the President on his return, including the Cabinet, Members of Congress, and perhaps the Diplomatic Corps. It was agreed that Gov. Pyle should work with the Protocol Office to coordinate this.

Sec. Hobby's Departure - The Cabinet agreed that a memento should be presented to Mrs. Hobby on her departure from the Cabinet, and a committee composed of Messrs. Perkins, Hook and Rabb was constituted to handle the matter.

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E.O. 11652, Section 1
By GHC NLE, Date 8-5-76

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Cabinet Action Status Report - Mr. Rabb called attention to the report of status of Cabinet actions, noting that on only one action was there a Departmental deliquency. The Vice President commended the Cabinet staff for the follow-through on Cabinet actions.

The Administration's Public Position - Gov. Pyle stressed the need for a coordinated approach to public relations during the 1956 campaign and the importance of extensive effort by Cabinet members. He suggested various profitable types of activity.

Sec. Mitchell said that he had been asked to draw up a plan of activities for Labor Week, which would bring about the full participation of the Cabinet. He went over this briefly, noting the specific emphasis that various Cabinet members might put upon their own contribution. He thought that a full week would seem artificial but that for a 3-day period much might be done.

There was a general discussion of the heavy responsibilities of Cabinet members, the impossibility of their doing the door-to-door campaign work that would be necessary, and the need for support not only by other government officials but all the way down to precinct organizations. In this connection, National Committee Chairman Hall noted that in the recent Oregon election there had been 300 precincts that did not have even a single active Republican worker on election day.

Mr. Hall went over a number of things that might be done to improve public relations and political fortunes. He stressed the desirability of finding new and young blood as a means of strengthening morale and revitalizing the Party. He hoped Cabinet members could each attend a number of finance meetings in the course of the year.

Sen. Goldwater's remarks were focused upon the importance of getting a Republican Congress, without which no Administration program would have much success. He called attention to the declining Republican vote in State elections and in Congressional elections over the period 1950-54. He cited a number of bad situations where there was no real semblance of organization in being. He also made suggestions for coordination of efforts between Cabinet members and Republican Senators.

Mr. Simpson foresaw for 1956 the possibility of two distinct campaigns -- one, a Presidential campaign, and the other a Congressional campaign. He thought that Republicans could not successfully risk all their eggs on the single item of the President's popularity. As regards the Labor Day program, he fully expected that many Labor Department officials would be making speeches, but since they were still Democrats he would prefer not to have them speaking in his district. He too urged such things as advance coordination with Republican Members of Congress on Executive Branch actions.

The Vice President summarized the discussion with an optimistic

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note based on the close cooperation even as evidenced in this meeting. Mr. Benson expressed appreciation of the opportunity for such discussion, and the Vice President concluded that the whole thing would be easily handled if the Cabinet could follow the Hollywood technique of having "doubles."

LAM
L. A. Minnich, Jr.

Copy to:
✓Mrs. Whitman (2)
Mr. Gray
Mr. Minnich

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CABINET PAPER—PRIVILEGED

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RA - 27

July 22, 1955

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of July 22, 1955:

1. Report from the Geneva Conference

   /Information Item Only/

2. Action Status Report CI - 7/2

   /Information Item Only/

3. Proposal for Labor Week

   ACTION:
   Governor Pyle is to communicate further with the respective Cabinet Members concerning follow-up actions on the program to be undertaken.

4. The Administration's Public Position

   /Information Item Only/

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

2

THE WHITE HOUSE
WASHINGTON

July 21, 1955

MEMORANDUM FOR THE VICE PRESIDENT

SUBJECT: Briefing Note for Item 12

Item 12, on your special copy of the Cabinet Agenda for Friday, was proposed for discussion by several staff members, including Governor Adams.

We are now approaching the end of the Congressional session and the President customarily makes a report to the nation on the accomplishments of his Administration. We must give thought to what he should say about the achievements of the last three years, including due emphasis on the record of the 83rd Congress. The President might, among other things, make a prediction of confidence, unity and harmony at home and abroad, and ought particularly to stress the significance of his atoms for peace program.

The suggestion is further made that in such a report to the nation, the President might give a glimpse of the Republican legislative program for 1956 -- in order to give Administration spokesmen new, telling ammunition to use during the summer.

This subject is to be raised at Cabinet in order that you might request each Cabinet Department to suggest and submit the items which should be included in such a report.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Possible Item 6: **Regional Boundaries for Mobilization Organization**
(Director Hughes)

A paper from ODM on Regional War Resources Coordinators was approved at the Cabinet Meeting last March 25. In connection with this paper, you requested the Director of the Bureau of the Budget to review the proposed regional boundaries with all interested departments in order to effect maximum correlation of governmental regional units. The Bureau has completed this review and, with the concurrence of ODM, is ready to present this matter to the Cabinet, since many Cabinet Departments (having regional field offices) are directly affected. As a consequence of this correlation of regional boundaries (primarily with the existing Army regions) some agencies may be asked to close down one or two field offices -- action likely to have political repercussions.

TIME SET: 15 minutes

Maxwell M. Rabb
Secretary to the Cabinet

The White House

Washington

July 13, 1955

NOTE TO THE SPECIAL ASSISTANTS FOR CABINET COORDINATION:

There will be no Cabinet Meeting on July 15.

The next Cabinet Meeting will be on July 22, 1955 at 9:00 AM, the Vice President presiding. The Agenda for this meeting will be circulated within the next week.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

July 20, 1955

MEMORANDUM FOR THE VICE PRESIDENT

Subject: Tentative Agenda for the July 22 Cabinet Meeting

The following items are, subject to your approval, scheduled for the Cabinet Meeting at 9:00 A.M., Friday, July 22, 1955 with you presiding:

Item 1: Report from the Geneva Conference

The President, before he left, requested Acting Secretary Hoover to give the Cabinet a full briefing on the status of affairs at Geneva.

TIME SET: 20 Minutes

Item 2: Action Status Report

You will remember your little talk to the Cabinet Special Assistants a few weeks ago. You emphasized that careful follow-up on Cabinet business was as important as good preparation. This issue of the Action Status Report is the third in its series. It represents the kind of secretariat follow-up which, as you pointed out, is indispensable to the conduct of Cabinet affairs.

This Report has traditionally been listed on the agenda, but not actually as a discussion item. I am prepared to say a few words simply to call attention to it and to point out some of its highlights.

TIME SET: 2 Minutes

Item 3: **Proposal for Labor Week**

You will recall that at the July 8 Meeting of the Cabinet (RA - 26 attached) Secretary Mitchell proposed the initiating of ceremonies honoring the American Worker. He was asked to develop his idea further in the form of a more detailed paper for subsequent Cabinet consideration. This paper (CP - 31) has been prepared, reviewed by Governor Pyle, and has been circulated for study prior to the Meeting.

TIME SET: 15 Minutes

Maxwell M. Rabb
Secretary to the Cabinet

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CA - 28

July 28, 1955

The White House

Washington

THE CABINET

Agenda

10:00 A.M., Friday, July 29, 1955

1.	The Federal Civil Defense Administration	(Oral)	The Administrator, Federal Civil Defense Administration.
2.	Executive Branch Position on Congressional Investigations and on the Use of WOC Consultants	(Oral)	The Secretary of Commerce The Director, Office of Defense Mobilization The Attorney General

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

MINUTES OF CABINET MEETING

July 29, 1955
10:10 A. M.   12:10 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Chrm. Young
Amb. Lodge

Gov. Val Peterson and Mr. Emil Reutzel, FCDA, (both in part)
Mr. Philip Ray, Commerce

Gov. Adams
Gen. Persons
Gov. Stassen
Mr. Rockefeller
Mr. Shanley, in part
Mr. Hagerty, in part
Mr. Murray Snyder
Dr. Hauge
Mr. Seaton
Mr. Morgan, in part
Mr. Martin, in part
Gov. Pyle
Mr. Rabb
Mr. Patterson
Mr. Minnich

The President opened the meeting with an expression of his esteem, admiration and affection for Mrs. Hobby, and then went on to present the Cabinet gift to her on her departure from Government service. Mrs. Hobby, in expressing her own feelings and thanks, emphasized that she would be establishing a branch office of the Administration in Houston where she would be working not any less hard to achieve the President's ideals. Photographs were taken.

Civil Defense Recommendations (CP-32) - Gov. Peterson outlined the activities of Civil Defense thus far to alert the public to the need for civil defense measures, to coordinate governmental, state and local activity, and to organize necessary communication and other services for use in the event of an emergency. He emphasized that FCDA activity was limited by the 1950 statute which vested primary responsibility in the states and localities. Also, there was the tendency of the public to fail to implement its awareness of dangers by taking appropriate protective measures.

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E.O. 11652, Section 1
By jbc NLE, Date 11/20/78

Gov. Peterson believed FCDA should have greater authority to equal its responsibilities, particularly in respect to organizing metropolitan areas which extend into several states. He cited the concurrence of many Governors and Mayors in this recommendation and also the general feeling of the Governors that Federal responsibility could be greater. He was interested in the dispersion program, especially in the light of certain plans for new Federal construction in already crowded areas. Above all, he was concerned with the fact that constant readiness requires constant apprehension, which Americans refused to have.

He then reviewed the recommendations in CP-32 calling for increased Federal responsibility (at an increased cost initially of $10 million and more thereafter), a more consistent Federal example, a national radiological defense system, a larger military support of civil defense, and an organizational study of the possibility of a new Government Department to handle these responsibilities.

During the presentation the President intervened to express his concern lest agricultural surpluses be stored in cities where they could be ruined by attack. At the end of the presentation the President stated his feeling that the American people hated war so much that they could not stir themselves to the necessary protective activity. He believed this might be overcome by emphasis on the fact that civilian preparedness would help to prevent war by disillusioning any aggressor of the expectation of quick success. This constructive approach of promoting peace seemed to him the only way of securing popular recognition of the urgency of the matter. Sec. Dulles underscored the President's remarks with regard to the manner in which civilian preparedness strengthens our diplomatic position and constitutes an important weapon in our arsenal for peace. The President concluded the discussion by commenting on the tremendous interest shown by many diverse people with regard to the accomplishment of the Geneva Conference.

(It was understood that the Civil Defense Administrator would prepare specific proposals to implement the recommendations in CP-32 and would arrange, with the agencies concerned, for the necessary further consideration, coordination and Presidential approval of those proposals.)

Use of WOC Consultants - The President prefaced this item with a recollection of his statement at the Commodore Cabinet meeting about his desire to turn away immediately any one who sought appointment to office or other action on the basis of his relation to the President. He had a similar feeling in regard to any one claiming that strong campaign support justified extraordinary treatment of an individual. He hoped that any such pleas would fall on stony ears.

Sec. Weeks outlined the consultant matter, which had arisen from an inquiry being initiated by Repr. Celler in regard to administrative advisers. A

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By DHC NLE, Date 8-5-76

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similar interest had inspired an amendment to the Defense Production Act which was killed in the Senate by only one vote. He stated that Rep. Celler had made nine different demands on the Department of Commerce for a great mass of material relating to its Advisory Councils. Of particular interest was the Business Advisory Council which had been begun by Sec. Roper and was carried on throughout the New Deal years. Sec. Weeks stated that the problem was one of deciding what if anything should be turned over to the Celler Committee, and how much was confidential administrative opinion. Since numerous departments were concerned, Mr. Weeks believed some one office should be made responsible for coordinating the decision.

The President wished the point made clear that he regarded casual conversations as being private and that he believed he had unlimited right to request advice from whatever people he wished. He would endure no intrusion on this right.

Commerce Counsel Ray pointed out that the Committee was approaching other agencies to demand access to all correspondence with the Department of Commerce, hence the need for uniformity. He believed that Rep. Celler was bent primarily on a "fishing expedition" in the files. He indicated that Commerce had reviewed many of its files and found nothing unethical in the contents. He stated that Commerce had decided not to allow Congressional staffs to begin on their own initiative to interview Commerce Department employees, to supply such material as might be released only upon the request of the Committee Chairman; and thus far, had not furnished any intra-government material. He expected these policies to elicit charges that the Commerce Department was afraid to disclose its activities. He believed the stand should be made on the principles set forth by the President in his memorandum to Sec. Wilson in the Spring of 1954 rather than on the basis of sorting material for access and non-access.

The President believed the agencies most affected should get together to prepare a guide which they could then check with the Attorney General. He believed the guide should have an explanatory historical statement of Congressional-Executive relations on such matters and should draw a definite line as to the type of material subject to inquiry. He emphasized that the line should not be drawn ever on the basis of expediency, for anything not in order should be promptly brought out in the open and cleared up. Subsequently, he commented at length on the long history of Congressional effort to make inroads on the Executive's power and he philosophized on the inevitability of controversy of this sort in a government where powers were divided among three equals. He recalled statements in 1953 by leading Republicans who cautioned the Administration not to expect Congress to be a rubber stamp, and he commented also on the original

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desire of the Administration as evidenced in the revision of Mr. Truman's Executive Order to effect a reduction in classification of Government papers.

Sec. Weeks believed the President should designate one individual with whom all such actions must be cleared prior to responding to Congressional requests for documents. The President believed that procedure might be too slow and that only doubtful cases should be referred for clearance. Nevertheless, he believed it important to have a document of guide lines to which all agencies could refer. He believed there were many instances where material should be furnished but he wanted it clearly understood that he was not going to be known as a President that practically crippled the Presidency. The Attorney General pointed out the primary responsibility of a department to determine how it would meet any Congressional request. He suggested not only in regard to this matter but to Congressional investigations generally that each department should have one man, preferably a lawyer, in charge of the handling of investigations. When these were selected they could be briefed by the Attorney General, who also favored establishing a committee to coordinate these problems. Chairman Young commented on the effectiveness of the similar committee established to handle personnel security investigations. The President agreed that each department should appoint a responsible man to work with the Attorney General, and he concluded the discussion by pointing out that things too often fail to get done when too many people were responsible. Consequently he wanted the Attorney General to take on the overall responsibility for accomplishing the necessary action.

Director Hughes pointed out the immediacy of the Commerce Department problem. The President stated that action on it could proceed without awaiting formation of the machinery agreed upon.

During the preceding discussion Gov. Stassen pointed to the importance of avoiding a purely defensive position. He believed the American people should be made aware of the intent of this inquiry to smear business in general. Amb. Lodge and Mrs. Hobby emphasized the importance also of frustrating this demagoguery. Mrs. Hobby saw it as a new kind of "ism" which would destroy the freedom of the individual to offer advice to his Government.

Dr. Flemming noted Democratic Congressional requests for such documents as the Brownlee task force report of the Energy Resources Committee and the minutes of the Defense Mobilization Board. He stated that both requests had been turned down by ODM and that he was willing to take full responsibility for the actions resulting from meetings of the Defense Mobilization Board but that testimony as to individual opinions would have to come from the members themselves if they so desired.

The Vice President emphasized that there must be some flexibility in interpreting the rule as to what material should properly be furnished to Congress. He believed that various methods of handling specific questions could be found so as to maintain Executive Branch prerogatives without creating a sharp conflict as to rights or inciting charges of hiding information.

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The Attorney General cited two aspects of the use of advisers worthy of study by all Cabinet members. One was the specific question of conflict of interest, the other was the extent to which an individual or advisory group participated in policy determination. He cited several instances from the past where there was clear-cut deviation from the law on conflict of interest. He then recounted some guides offered by the Justice Department in President Hoover's time which sought to minimize the possibility of deviation from the strict letter of the law. Justice then had recommended (1) that there should be a statutory authority or Administration finding that a key advisory committee is necessary, (2) that the agenda of such committee should be determined by regular Government officials, (3) that the chairman should be a full-time employee in whom the agency head had full confidence, (4) full minutes should be kept of all meetings, and (5) that functions of such committees should be purely advisory.

Also, during the discussion of the coordinating machinery the President referred to the open question as to what constitutes a permanent record and what a mere scrap of paper. He remarked that he constantly found in his own personal files material which had no significance and constituted only a costly burden on maintenance and subsequent use. He noted his concern for the future when he would have to refer to his files without benefit of a large staff, and he suggested that all Cabinet members undertake to improve their filing procedures in the future. Sec. Dulles pointed out the practice of his law firm in marking documents "permanent" and "destroyable" so that the latter could automatically be destroyed after one year.

In connection with the origins of the Celler inquiry, reference was made to the Comptroller General. Gov. Adams commented on some of the problems confronting that official as a result particularly of the Congressional feeling of ownership of the GAO. The Attorney General related how he had attempted to find out the reason for failure of the GAO to report to the FBI about the activities of a clothing manufacturer, and he found out that the GAO staff had been instructed by Sen. McCarthy to keep the material under wraps until a proper time came for producing it. Gov. Adams pointed out that the Comptroller General was engaged in correcting the staff situation.

* * * * *

At the conclusion of the meeting an official picture of the Cabinet was taken in order to have one on record for the Cabinet as constituted subsequent to Sec. Mitchell's appointment and prior to Mrs. Hobby's departure.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman✓
Mr. Rabb
Mr. Minnich

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CABINET PAPER—PRIVILEGED RA - 28

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July 29, 1955

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Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of July 29, 1955:

Item 1 - Recommendations Concerning Civil Defense CP - 32

ACTION:

Following a presentation to the Cabinet by the Federal Civil Defense Administrator on the accomplishments, inadequacies and recommendations of the FCDA, it was agreed that the Federal Civil Defense Administrator will prepare specific proposals to implement the recommendations in CP - 32, and will arrange, with the agencies concerned, for the necessary further consideration, coordination and Presidential approval of those proposals. The Federal Civil Defense Administrator should also prepare an appropriate time-table for the consideration of these proposals.

Item 2 - Executive Branch Position on Congressional Investigations and on the Use of WOC Consultants

ACTION:

(a) The President requested each Cabinet Member to designate immediately a responsible and experienced attorney in his Department to devote special attention to the handling of any impending Congressional investigations.

The White House Staff Secretary is to be notified of such designations and the Attorney General will arrange for an initial meeting of these officials in order to discuss their common task.

(b) The President requested the Attorney General to be responsible for:

(i) drawing up a clear set of principles and guidelines to assist Department and Agency Heads in deciding how, legally and properly, to comply with Congressional requests for information;

(ii) including in this document a selective account, starting with the beginnings of our nation, of Congressional requests for information from the Executive Branch, in such a way as to illuminate the principles and guidelines of law and privilege referred to above.

(iii) arranging for future Cabinet consideration of this document.

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E.O. 11652, Sec. 11
Defense Dept ltr 5/7/74
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By ______ Date 8/1/74 - 6/1/76

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(c) It was agreed that the solution of the immediate problem being faced by the Department of Commerce and others was not to be delayed by the actions under "a" and "b" above.

ADDITIONAL ITEM:

A. Cabinet Tribute to Mrs. Oveta Culp Hobby

With affection and with fond best wishes for the future, the Cabinet bade *au revoir* to Mrs. Oveta Culp Hobby, retiring Secretary of Health, Education, and Welfare.

Maxwell M. Rabb
Secretary to the Cabinet

July 28, 1955.

MEMORANDUM FOR

MAX RABB

1. Remove Item II from the Cabinet Agenda for tomorrow. I want to study this matter personally before we take up the time of the Cabinet with it.

2. Remove Item IV until after our own group has returned from Moscow and we know something more about it.

3. As to Item V, if you are ready to propose now the elimination of a number of these committees, then I would think it time to present it to the Cabinet. If not, you should wait until you have specific recommendations.

D.D.E.

THE WHITE HOUSE
WASHINGTON

July 26, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for July 29

The following items are, subject to your approval, scheduled for the Cabinet Agenda for Friday, July 29:

Item 1: The Federal Civil Defense Administration

Pursuant to your instructions, Governor Val Peterson is prepared to give you and the Cabinet a briefing on the Federal Civil Defense Administration. This briefing will include highlights of (a) FCDA's accomplishments, (b) some of its current shortcomings and problems and (c) Governor Peterson's recommendations for changes in policies or operations.

TIME SET: 30 Minutes

Item 2: Coordinated Regional Boundaries for War Resources and Related Agencies

At the March 25 Cabinet Meeting, you requested the Director of the Bureau of the Budget to work up a coordinated proposal for regional boundaries of mobilization and defense agencies - giving particular attention to the existing Army Command boundaries.

The Bureau has developed a proposal which, they assure us, is, technically, the best proposal which can be made.

Except for Labor and HEW, all the interested Agencies (ODM, Defense, Agriculture, FCDA and HHFA) concur. Labor and HEW state that the proposed new boundaries will hamper their operations. The paper proposes that you approve a recommendation which will (a) permit those agencies which concur to go ahead with the boundaries as described and will (b) permit Labor and HEW to study this question further.

TIME SET: 15 Minutes

Item 3: Executive Branch Position on Congressional Investigations and on the Use of WOC Consultants

(a) The Secretary of Commerce wants to get advice from the Cabinet and from you concerning the position Commerce should take on the request from the Celler House "Anti-Monopoly" Subcommittee for information concerning the activities of the "dollar-a-year" men which Commerce employs. Several Departments besides Commerce have also received requests for information from Congressman Celler; a coordinated Executive Branch position is essential.

(b) The Director of the Office of Defense Mobilization has been involved in discussions on the Hill with respect to the Defense Production Act on the same issue of WOC consultants. To clarify the present Administration position relative to "dollar-a-year" men, Dr. Flemming will give the Cabinet a brief run-down of general Administration policy with respect to such consultants.

(c) The Attorney General will make some observations on this matter and is prepared to summarize the legal aspects involved.

TIME SET: 20 Minutes

Item 4: The United States and Russian Farm Delegations

As a follow-up to your discussions in Geneva, the Cabinet will be interested to hear some brief comments from (a) the Secretary of Agriculture and (b) the Secretary of State concerning the visits of the respective Russian and United States farm delegations now touring America and the Soviet Union.

TIME SET: 10 Minutes

Item 5: Progress Report on the Committee Management Program

I would like to say a few words about the Committee Management Program which is now underway after initiation through the Sub-Cabinet. Another name for this new and continuing effort might be "The Program for the Detection and Elimination of Worn-Out and Overlapping Committees." I might add that this program is completely new and unprecedented. Back in 1949 the first Hoover Commission called attention to the problem of controlling the maze of interdepartmental committees, but until the Sub-Cabinet got a hold of the problem and acted, nothing had been done by this or the previous Administration. Some of the preliminary statistics will be of interest to the Cabinet and I believe you might use this occasion to emphasize your support for this objective.

TIME SET: 5 Minutes

Item 6: (Off the Record) Presentation of the Cabinet's Gift to Mrs. Hobby

After discussion at Cabinet last week in your absence, a small committee was formed to decide on and purchase a gift. The selection: a beautiful Steuben Glass vase, on which there will later be engraved the Seal of the Department of Health, Education and Welfare and an appropriate inscription. On Friday morning we will have the actual glass piece plus a drawing of how it will look when the engraving is completed.

We wish you to make the presentation.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

MEMORANDUM

At Cabinet meeting on July 29, 1955, just prior to discussion of the Agenda item concerning Consultants, the President recalled his statement at the Commodore Hotel Cabinet Meeting about how he wanted instantaneous rejection of anyone who sought a position or favor by virtue of being a relative or friend of the President. He commented that to his knowledge that principle had never been violated. However, he continued, it appeared within the last week that someone decided to go easy on an individual because that person was a friend of the President. The President noted also that someone had tried to make a case that very strong campaign support by an individual should tend to counteract any error.

The President firmly re-asserted his purpose of honesty in government, and he told the Cabinet to let any such pleas as he had just mentioned fall on stony ears. He said that he was just not interested in any contention that he should support anyone who was a great supporter of him in the Presidential campaign. He directed the Cabinet to throw any such individuals as far out as they could.

The Agenda item on Consultants was then taken under consideration.

LAM

L. A. Minnich, Jr.

DEPARTMENT OF STATE

Rod OConnor
~~Call~~
Mr. ~~Thruston Morton~~
Assistant Secretary for Congressional Relations X 5395

DEPARTMENT OF THE TREASURY

Fred Scribner
Mr. ~~David W. Kendall~~
Assistant Secretary of the Treasury X 2033

DEPARTMENT OF DEFENSE

Call ✓
Mr. Leonard Niederlehner - has not attended
Acting General Counsel X 77248
(Peter Chew now attending)

POST OFFICE DEPARTMENT

Mr. Abe M. Goff
Solicitor X 389

DEPARTMENT OF THE INTERIOR

Ted Stevens
Call ✓
Mr. ~~Elmer Bennett~~
Legislative Counsel X 2136

DEPARTMENT OF AGRICULTURE

Mr. Robert L. Farrington
General Counsel X 3351

DEPARTMENT OF COMMERCE

Nash Overton
Call ✓
Mr. Philip Ray
General Counsel X 4772

DEPARTMENT OF LABOR

Mr. Stuart Rothman
Solicitor X 10

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. Parke Banta General Counsel	X 3413

BUREAU OF THE BUDGET

Mr. Robert Merriam Assistant to the Director	X 742

OFFICE OF DEFENSE MOBILIZATION

Mr. Charles Kendall General Counsel	Call X 2123 ✓

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CABINET PAPER—PRIVILEGED CP - 32

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THE CABINET

Recommendations Concerning Civil Defense

For consideration by the Cabinet, attached is a brief summation of the Recommendations concerning Civil Defense organization and policy which have been prepared by the Federal Civil Defense Administrator.

These Recommendations are the focal points of the presentation which will be given by the Federal Civil Defense Administrator at the coming Cabinet Meeting (CA - 28, Item 1) and are submitted for the concurrence of the Cabinet and the approval of the President.

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
E.O. 11652, Sec.
DEFENSE DEPT. LTR. 5/7/74
By JOHN WICKMAN/DDE Date 5/1/74 - 6/11/76

CABINET PAPER
For Consideration

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CABINET PAPER—PRIVILEGED

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RECOMMENDATIONS CONCERNING CIVIL DEFENSE

A. Organization

1. Federal Responsibility. - That the Federal Government assume a larger measure of responsibility in civil defense such as:

   a. Authority to exercise greater control over the civil defense activities of the States through an increase in Federal grant-in-aid type assistance to include contributions toward personnel and administrative expenses.

   b. Authority to exercise greater control over civil defense activities related to metropolitan complexes which include more than one State.

   c. Incorporation in national programs, such as the construction of roads, schools, hospitals, public buildings, and defense facilities, of a specific requirement that civil defense measures be observed with respect to provision of shelter, location, protective construction, and emergency use.

B. Public Information

1. That the Federal Government facilitate public acceptance of civil defense responsibilities by setting an example of effective and consistent performance.

C. Radiological Defense

1. That the Federal Government install and maintain a nationwide system for monitoring and reporting radiological fall-out.

D. Military Support

1. That the Governors of the Nation be assured of the availability of National Guard troops for specific missions in the State civil defense operational plan.

2. That National Guard and other Reserve units be required to take certain civil defense training.

3. That individual reservists receive appropriate credits for specified types of civil defense activities.

4. That the regular military establishment, consistent with its primary military mission, be required to train in and lend maximum support to civil defense activities.

E. Study of Future Organization

1. That the President's Advisory Committee on Government Organization be asked to study and prepare recommendations on the following proposal:

   That all elements of a non-military defense program, including civil defense, be combined in a new department of government to utilize the full potentialties of nonmilitary defense planning and thus put forth a consolidated, balanced program that will receive better acceptance from Congress and the public.

CABINET PAPER

For Consideration

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RA-28
7/29/55

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c) It was agreed that the solution of the immediate problem being faced by the Department of Commerce and others was not to be delayed by the actions under "a" and "b" above.

d) With respect to policy on the use of WOC Consultants, the following principles were enunciated:

i) The President has a right to seek uncompensated advice from anyone on any subject, and this right must never be restricted.

ii) Each American citizen has, in fact, a right to give private advice to his government, and this right should be defended.

e) Department and Agency Heads are invited to turn to the Attorney General for advice with respect to the decisions they will make involving either law or policy regarding the use of WOC Consultants.

f) The Attorney General will draw up, as guidance for the interested Agencies, a suggested list of questions which appointing officers can pose to prospective Consultants in order to have a written record of significant information.

g) The Attorney General will supply ~~recommended that the affected~~ Agencies adhere ~~to the following~~ procedures any Committees with ~~respect to the use of groups~~ of Consultants:

i) There should be statutory authority for the committee, or a clear administrative finding that it is essential.

ii) The Agenda for the Committee's business should be drawn up by the Government.

iii) Meetings of the Committee should be chaired by a full-time Government official.

iv) Full minutes should be kept of each Committee Meeting

v) The Committee must not be allowed to drift from a purely advisory to a policy-making status.

vi) The role of the Committee must be kept (a) purely one, with no drifting into the policy-making function.

h) The President requested the Cabinet Departments

i) To make a continuing effort to rid government files of personal and inconsequential trivia which clearly do not qualify as official U.S. Government records.

ii) To ensure that officers in charge of government file rooms are responsible and of good judgement, in order that this effort can be accomplished, and space, time and equipment saved.

iii) Not to pursue this effort in such a way as to give rise to charges that, with respect to any matter under Congressional investigation, the Government is "hiding" something.

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For Action

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CP - 31

July 26, 1955

The White House

Washington

THE CABINET

Coordinated Regional Boundaries for War Resources and Related Agencies

For consideration by the Cabinet, attached is a brief paper prepared by the Bureau of the Budget after consultation with the interested Cabinet Departments and other Agencies. This paper, with its attached map, proposed a set of coordinated regional boundaries for those agencies which will have war and mobilization responsibilities.

The paper was prepared pursuant to the President's request at the Cabinet Meeting of March 25 (RA - 17, Item 5).

Two of the Departments (Labor and Health, Education, and Welfare) have indicated that difficulties may arise for them if this paper is approved. The attached paper therefore recommends that the concurring agencies proceed by using the boundaries shown in the attachment, and that the Departments of Labor and Health, Education, and Welfare be permitted to study this question further.

Maxwell M. Rabb
Secretary to the Cabinet

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THE CABINET

COORDINATED REGIONAL BOUNDARIES FOR WAR RESOURCES AND RELATED AGENCIES

July 26, 1955

Problem: Should coordinated regional boundaries be established for ODM Regional War Resources Coordinators, proposed war resources agencies, and the Department of Defense organization to be created for liaison with war resources agencies? If so, is the proposed regional boundary pattern appropriate? Should FCDA conform to the proposed pattern, and should FCDA delegate agencies coordinate their regional boundaries with the approved pattern wherever feasible?

Discussion: At the Cabinet meeting on March 25, 1955, an ODM proposal (CP-22) to appoint Regional War Resources Coordinators was approved, but the proposed regional boundaries were not. Instead the President directed the Bureau of the Budget to review with interested agencies the regional boundaries proposed by the ODM in order to achieve the maximum degree of correlation among regional structures.

Staff of the Bureau of the Budget have held meetings with representatives of Agriculture, Labor, and HHFA as the existing agencies which have war resources functions. Meetings were also held with FCDA and Defense as the principal users of the services of the war resources agencies.

During these meetings the desirability of maximum correlation of boundaries with FCDA and possibly with Army Command Areas and FCDA delegate agencies was emphasized by some agency representatives. The stated need for coordination with Army Command Areas grows out of the fact that commanders of Continental Army Areas have been assigned responsibility for military support of civil defense authorities in natural disasters or a defense emergency. Accordingly, meetings were also held with DHEW as one of the principal delegate agencies of FCDA (Agriculture, Labor, and HHFA are also key FCDA delegate agencies) and with the official of the Department of Defense responsible for liaison with FCDA.

Agreement was reached among agency representatives at the staff level that coordinated regional boundaries are desirable for war resources agencies, FCDA, and the organization to be created by the Department of Defense for liaison with war resources agencies on procurement matters, and that FCDA delegate agencies should conform to the approved pattern wherever feasible. It was also agreed that agencies should move to the coordinated plan as rapidly as possible in order that it might be ready to function in an emergency. While representatives of most civilian agencies were not in position to judge the need for coordination of FCDA regions and Army Command Areas, the significance of the relationship between the two appears to warrant such coordination.

A plan for regional boundaries coordinated with the boundaries of Army Command Areas has been developed. (See Attachment.) This plan provides for a minimum of six and a maximum of nine regions. It is believed to offer flexibility to meet the varying needs of civilian agencies, while providing the correlation necessary to efficient operation. It represents a compromise between the views of some agency representatives preferring not more than six regions and others favoring more than nine regions. The specific boundaries within the nine-region plan were developed in cooperation with the participating civilian agencies.

Recommendations: (1) That the Agencies having no objection to this paper be authorized to proceed with planning and organization based on the boundaries set forth in the attachment, and

(2) That the Departments of Labor and HEW be permitted to study this question further.

Implementation: By direction of the President (with the exceptions noted in Recommendation 2 above):

(1) The ODM should establish its regions in conformance with the coordinated plan;

(2) FCDA and agencies having war resources functions should proceed as rapidly as possible to convert regional boundaries to the coordinated plan;

(3) Army Command Areas should be retained in conformance with the coordinated plan, and the Department of Defense organization to be created for liaison with war resources agencies should follow the plan;

(4) Delegate agencies of FCDA should convert regional boundaries to the coordinated plan wherever feasible.

Concurrences: Defense, Agriculture, ODM, FCDA and HHFA join with the Bureau of the Budget in favoring this proposal, or offer no objection.

The Departments of Labor and HEW have indicated that this proposal would cause serious problems for them.

Attachment: Map showing proposed plan for coordinated regional boundaries.

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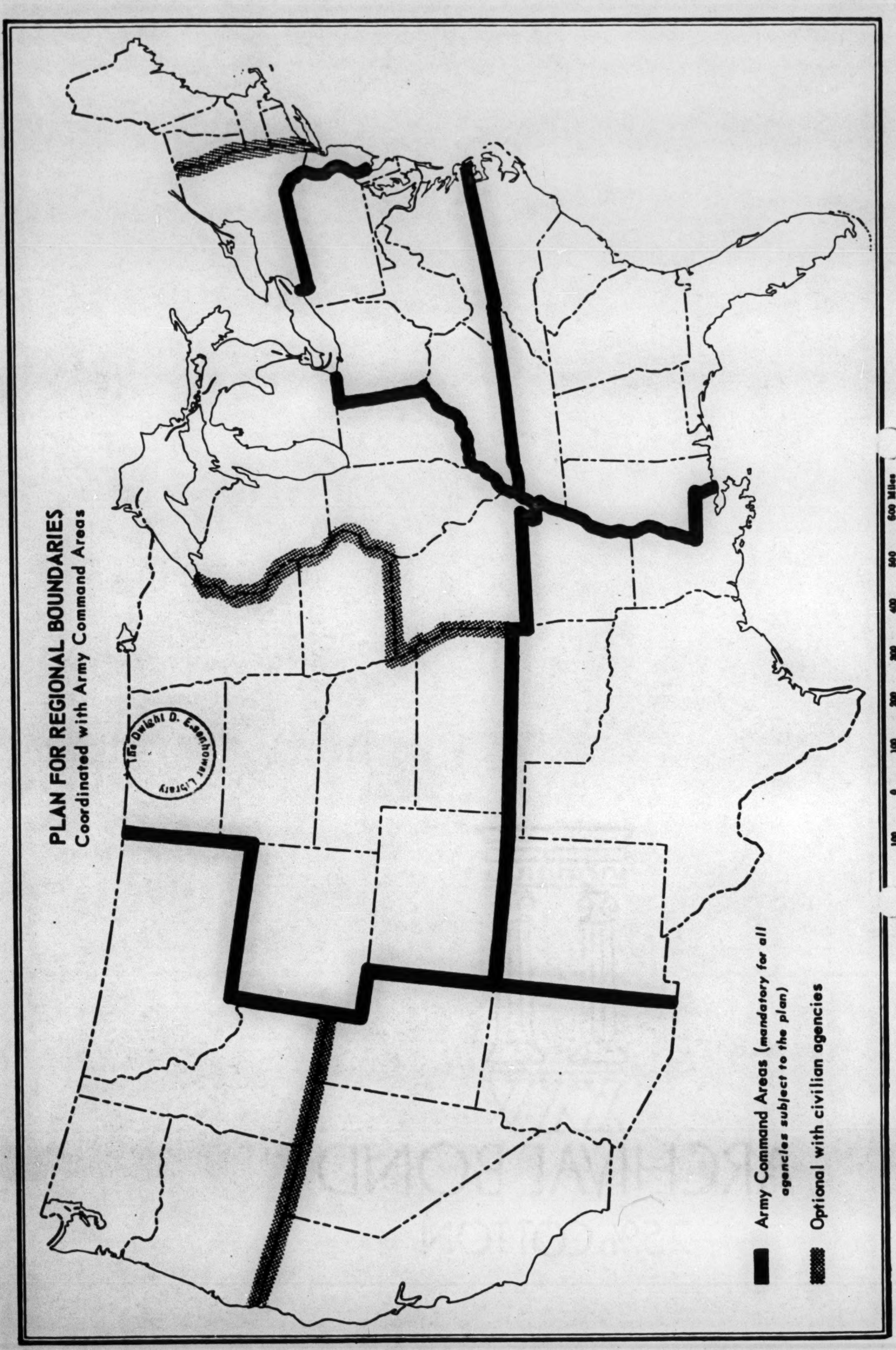

PLAN FOR REGIONAL BOUNDARIES

Coordinated with Army Command Areas

▬ Army Command Areas (*mandatory for all agencies subject to the plan*)

▨ Optional with civilian agencies

100 0 100 200 300 400 500 600 Miles

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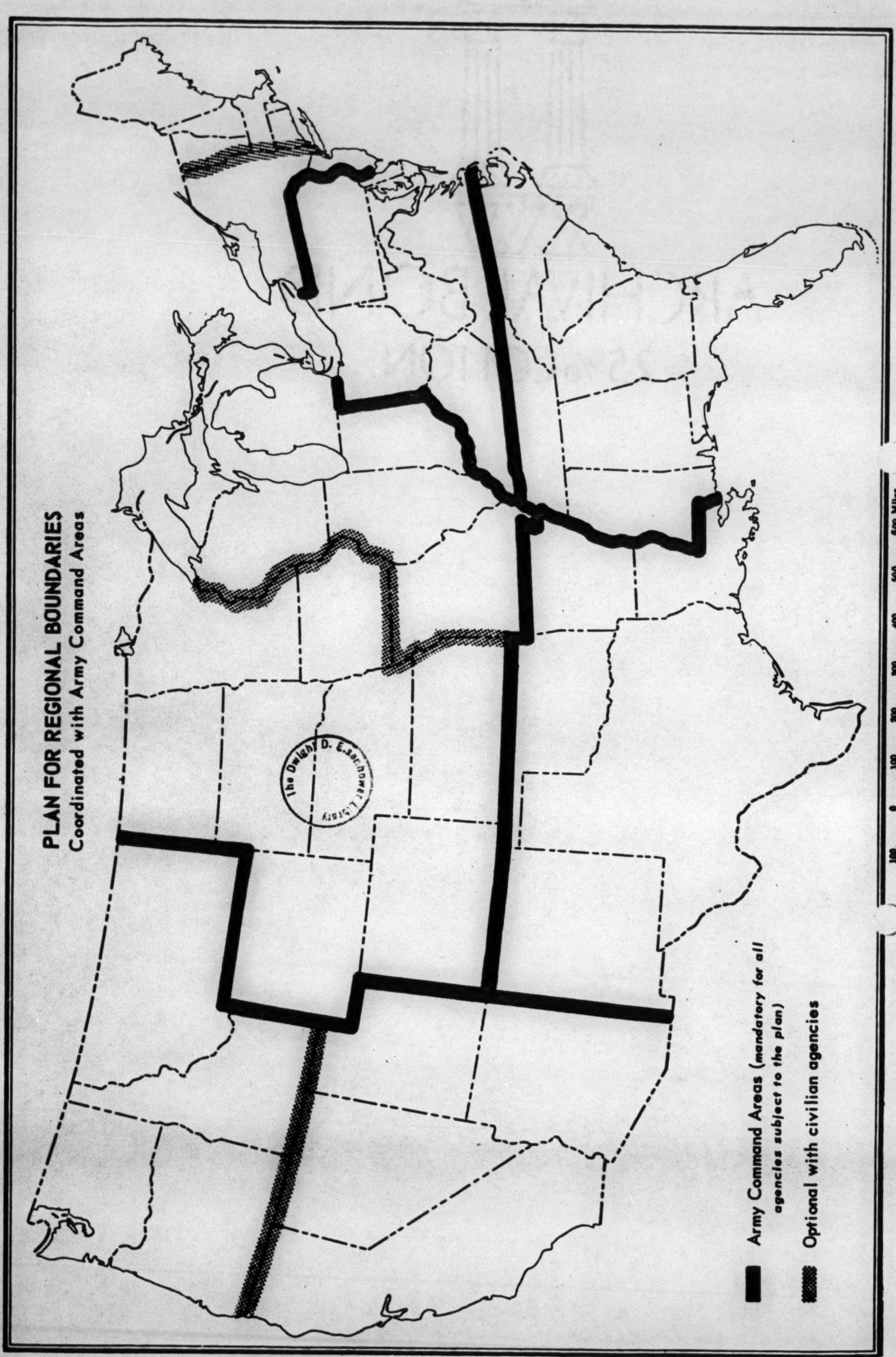

PLAN FOR REGIONAL BOUNDARIES
Coordinated with Army Command Areas

▬ Army Command Areas (mandatory for all agencies subject to the plan)
▨ Optional with civilian agencies
100 0 100 200 300 400 500 600 Miles

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E.O. 11652, Section 1

By DHC NLE, Date 4-12-77

MINUTES OF CABINET MEETING

August 5, 1955
9:30 A. M. ------ 12:15 P.M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles and Under Sec. Hoover
Sec. Humphrey
Sec. Wilson
Atty. Gen. Brownell
PMG Summerfield
Under Sec. of Interior Davis
(for Sec. McKay)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Gov. Adams
Gen. Persons
Gov. Stassen
Mr. Anderson
Gov. Pyle
Mr. Shanley
Mr. Morgan
Mr. Harlow
Dr. Hauge
Mr. Snyder
Mr. Rabb
Mr. Patterson

Director Hughes
Dr. Flemming
Chairman Young
Amb. Lodge
Dr. Burns

After an opening moment of silent prayer, the President welcomed to the Cabinet table the new Secretary of Health, Education and Welfare, the Honorable Marion B. Folsom.

The President then brought up an off-agenda subject: Budget Policy for FY 1956. He said he had looked back and re-examined his campaign pledges about balancing the budget and found that, while he had never said that the budget could be balanced immediately, he had pledged that within four years, providing there were no wars or other international emergencies, a balanced budget ought to be possible. Even without having achieved this, however, we had already reduced taxes. We are now so close to a balanced budget that the President said he was most anxious to make a real attempt this year to achieve that goal.

The President read a statement to the Cabinet -- pointing out the budget situation, citing the fact that our estimated deficit this year is only 3% of anticipated government spending, and concluding with his decision to have the Budget Director deduct this 3% from each agency's estimated

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expenditures, respectively. The President emphasized very strongly that this attempt at budget reduction was not to cripple any essential program. In case any Cabinet member found that this 3% was going to cut into something essential, he should immediately notify the President and discuss this with the Budget Director. This request was to apply to the entire government -- even to the Defense Department -- for the President felt that there are still programs, administrative costs, or wasteful practices of one sort or another, that we can root out without damage to anything truly essential.

The Secretary of Defense commented that he was under certain handicaps in his department: (a) Defense was already $1,750,000,000 over its estimated expenditures, and to correct this Mr. Wilson was aiming at squeezing expenses 5%. The President's request would now bring this to 8%. (b) Expenses have been rising on such things as steel and salaries, aircraft production has been stepped up, and other programs such as the DEW line are very costly. The area in which he found it most difficult to economize was the Air Force. The Secretary cited the Marine Corps appropriation as an example of how difficult it was to cut money in the Defense Department. He reported that there has been much criticism of the freeze order on the use of this money, even though it had been appropriated. The Attorney General confirmed that such appropriations have always been interpreted by the Administration as authorizations, but Congress does not concur in this position. Gen. Persons reminded the Cabinet of President Truman's refusal to spend Air Force money given him by the 80th Congress.

Sec. Wilson said it was not only money which concerned him in terms of making economies, it was personnel strength. The Marine Corps was unhappy not to have this $46 million, but it was even less happy that it would not be allowed to come up to the strength authorized by Congress. The Secretary said he was sure that the top Marine officers had not lobbied for this; it was simply a politician's scheme in the Congress. Gov. Stassen suggested that this Marine Corps problem should be negotiated out with some of the leadership in Congress. Without changing our fundamental decision not to fill the authorization, we can still negotiate on this problem with the leadership and try to find a common ground.

The President said he did not wish his request for a 3% reduction to be in any formal, written memorandum or directive, and he agreed with Sec. Wilson that it should be made clear that the campaign was not to reduce the budget *per se* but to cut out waste and nonessentials.

Sec. Humphrey pointed out that this was probably going to be our last chance to cut the budget, since the Congress is likely to force through some tax-cutting proposals in FY 1957. A balanced budget in FY 1956 could be announced as an accomplished fact on July 1, 1956. The President again cautioned that he did not by any means want to put

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balancing the budget ahead of everything else in government, since this might lead to much public apprehension. The Secretary of the Treasury pointed out that people fear inflation, too. The President replied that no one was more economy - minded than he, but he was not going to damage any important program.

Sec. Humphrey then suggested that in the Mid-year Budget Message, coming in two weeks, we book the 3% reduction in advance and come up with $100 million in black ink. The President cautioned that this 3% reduction was, as of now, still an objective and not near enough to reality to claim that it was an actual estimate. Mr. Humphrey argued, however, it was better to announce that the 3% reduction was being made and to put out the figures in black ink -- even if we didn't make it by next July -- than to estimate another deficit again. The President repeated his caution that this was stretching his idea of "estimate" too much. It is our determined goal, to be sure, but it could not be considered a true projection. The Secretary of the Treasury then modified his suggestion to propose that we list the regular projection, then subtract the 3% and show what will happen when we reach the goal for which we are striving. He thought it was important that this kind of budget picture and this kind of reduction come out publicly, and be to the President's credit.

The Secretary of Agriculture commented that the time certainly was never better for making a final push at balancing the budget; with peace and prosperity instead of war, cuts could be made in defense spending. The President reminded him, however, that it was the extent of those very defense expenditures which had brought us to the degree of peace we now enjoy.

The Vice President commented that if a 3% cut is made public it will take newspaper columnists very little figuring to point out this means the Defense budget has been cut by a billion dollars. The President cited as an example of the kind of record the opposition is trying to build up about Defense inadequacies, the letter he had recently received from Senators Anderson and Jackson, challenging the Administration in the whole national security field with not spending enough and not really maintaining our national security. Amb. Lodge commented that in view of this kind of challenge it would not be a good idea to make any kind of commitment or promise about budget balancing. Sec. Humphrey explained that it would not be a commitment but just a goal. Mr. Stassen felt that if we set up the goal publicly and then achieved it we would not get any particular credit, whereas if we missed it we would get a lot of blame. He thought it would be better to have the achievement come out as a surprise next year. Mr. Humphrey pointed out that this attempt to cut by 3% is going to leak out anyway.

The Vice President suggested that, rather than put the 3% reduction in the Mid-year Budget Review, the projections be put out as they stood

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but have the Secretary of the Treasury say when it is published that we have an excellent chance of balancing the budget and are confident we can accomplish it -- but not spell out where the cuts are going to be made. The Attorney General pointed out that people may be afraid that their social security payments will be cut. Mr. Stassen suggested a Cabinet review in November of the status of revenues and expenditures at that time.

The Secretary of State then commented on Mr. Benson's remark. In spite of the smiles and the warmer atmosphere following the Geneva Conference, it is still unwise to say that the chances of peace are so good that we can relax. We are having the greatest difficulty in holding the NATO countries to what we believe to be a proper level of military expenditures, and the same is true with the Japanese. He warned that if, as an apparent result of Soviet smiles (but no real concessions), we relax and let our Western European defenses disintegrate, the Geneva Conference will have turned out to be a greater tragedy than Yalta.

Mr. Humphrey reminded his colleagues that the cut was only 3%. The Secretary of State, however, emphasized that the Russians have not done anything substantial toward peace: they are continuing their atomic energy tests, their work on missles, their hold on the satellites; nor have the Chinese changed their aggressive posture. If we seem to have been lured by merely nice Communist words at Geneva into making an across-the-board budget cut, the effect will be catastrophic all over the free world. It is indeed true that it has been our defense expenditures which have brought us to the position of strength we are now in vis-a-vis the Russians, and it is equally true that it is still a major Soviet purpose to make us quit the progress we are making.

Sec. Humphrey then pointed out that the fiscal policies of some of our allies have tightened up also -- in the United Kingdom and in the Netherlands -- since inflation is a real problem to them. But, commented the Secretary of State, this tightening up has not been for budget reasons alone. Mr. Humphrey emphasized that if we balance the budget that will be one of the most important anti-inflationary measures we can take. In response to Mr. Wilson's query about the expansion of credit, he said every possible effort is being made all the time to curb over-extensions of credit.

The President said he did not care if the people did find out that each department individually was working to cut 3% from its expenditures in order that the budget might be balanced. Mr. Humphrey, however, felt strongly that the people should know it was the Chief Executive who personally set this goal. The President answered that every one around the table knew that his request was to be interpreted as a spur, but if his request were made public then it would certainly be construed as if it were a result of Geneva. Mr. Hughes pointed out that there would be a Budget Message in January and, if appropriate, we can discuss the balancing of the budget at that time. The President commented that this would be far enough away from Geneva.

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The President went on to comment that it would take concentrated personal leadership to carry out his request. What he recommended was not instruction from the top of the department down -- which would tend to bring all the Indians running with the complaint that it "can't be done". The technique should rather be for each Cabinet member so to imbue his subordinates with the importance and the nearness of the goal to be reached that all of them will be competing with each other to discover places and methods of saving money.

Mr. Wilson again referred to his special difficulties in Defense where his reduction goal is 8% instead of just 3%. The President reaffirmed his view that there were luxuries and nonessential practices -- perhaps in some of the military schools, perhaps in an over-abundance of storage depots, etc. -- which could be sliced without damaging the Nikes, the DEW line, the ICBM program, aircraft programs, etc. He reminded Sec. Wilson of the days when only the Chief of Staff of the Army was supplied an automobile and all other officers, even when they went up to testify before Congress, were given a transit token as travel expenses. Referring back to Messrs. Stassen's and Hughes' suggestion, he thought that a December review of the budget situation would be advisable. Sec. Humphrey agreed that the budget projection figures for the Mid-year Review would remain as they were; he asked for and was given authorization for himself and the Director of the Bureau of the Budget to express hope that, with the budget so close to being balanced, every effort will be made to achieve a balanced budget this year.

Mr. Wilson made it clear that he could not make any firm promise or commitment to reduce the Defense budget by 8% but that he would simply do his level best. The Secretary of the Treasury and the President assured Mr. Wilson that his best was good enough for them.

Discussion on this subject ended with a plaintive comment from Mr. Wilson: "I have so many people in my department who keep putting off decisions until only the wrong thing is left to do!"

State of the Union Message - The President turned to the first item on the agenda and asked that the agencies submit their suggestions for the State of the Union Message by October 15, 1955. Amb. Lodge suggested that the whole tone of the message be one of taking the offensive and making the opposition fight on the ground we have chosen. There should be emotion and feeling in it and constructive and popular issues. ThePresident commented that he expected many of the returning Congressmen in January to have one subject very much on their minds: programs to aid the farmer. With approval of the minimum wage, guaranteed annual wage, higher government pay, etc., etc., it looks as though highways, schools, and health programs might be swamped under demands to aid American farmers.

The Vice President suggested that as the departments prepare their language for the State of the Union Message, they shouldkeep it simple and brief, and talk about only a few major issues rather than let the

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message be too diffuse. The goal ought to be a thirty minute message. We should keep in mind, of course, that a series of special messages could follow if necessary, each highlighting a specific request.

US Policy with Respect to CCC-owned Cotton -The Secretary of Agriculture opened the discussion of this subject by reminding his colleagues that under the law he has the responsibility and legal authority to dispose of agricultural surpluses. He pointed out that the proposal he would make to dispose of some of our cotton surplus ought to be accepted and implemented now in order to avoid much more drastic and unacceptable action by the Congress later. If we say we will never make a move if it adversely affects any nation, then we will never get rid of any of our surpluses. We have disposed of a great deal of surplus goods already and most of them have gone abroad. If we don't make some kind of move now we will be faced, during the next session of Congress, with a law which will undoubtedly set up a permanent two-price system for cotton, and representatives of the cotton and wheat states will form an alliance to get such a law written. Naturally, the last thing we want is a permanent export subsidy on wheat and cotton. Stories are being spread that this Administration is dedicated to Big Business and that Agriculture is not important. In the last session of Congress we got 90% of what we wanted -- in the Agricultural Adjustment Act of 1954. Because of certain gimmicks in the law, however, cotton price supports themselves could not be changed.

Mr. Benson stressed we have now made progress in getting the public to understand that high rigid price supports are evil. We even find some leaders saying that the 90% price support is hurting the cotton industry. Now, it is up to us to show our good faith and help move some of the cotton now in storage. The Secretary felt that if we do this Congress will move at its next session to give us some legislation which will be permanently helpful. Mr. Benson then read the statement of Agriculture's position on this subject (see attached) and a copy of the statement was at this time distributed to each person in the room.

The President inquired what was meant by the phrase "competitive prices". The Secretary explained that this meant the process of bids which we reserve the right to reject if the prices are so low as to disrupt world markets. The resulting export price is, of course, usually lower than the domestic price. He reminded the President that the government is now exporting quite a sizeable list of surplus commodities at prices lower than domestic prices, but that we have refused to sell these commodities in ways which would disrupt world markets. The President reaffirmed that this was still Administration policy.

The Secretary summed up by saying that Agriculture wished to be authorized to move not more than a million bales of this low-grade cotton within the next marketing year -- probably after the first of March, 1956.

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In response to the President's request for his comments, Sec. Humphrey explained that, from the short-range point of view, naturally Treasury would like to see us sell the surplus commodities and get our money out of them. In the long-range, however, the problem is essentially one of timing, procedure and method. If we announce now that we are going to sell cotton at less than domestic prices, it will certainly frighten domestic textile producers who pay domestic prices and will be against the Administration basic trade policy. He pointed out that the growers who want an export subsidy for cotton have teamed up with the domestic producers who want import quotas on cotton textiles, and that what we are faced with is the double-barrelled pressure. He did not believe that much of this surplus cotton would move without wrecking world markets. It is true that we are losing cotton markets to other nations, and this is wrong: we should certainly fight this at some point. The method he proposed, however, was to go to the Congress next year with an urgent request for a reduction in the support price for off-grade cotton. If we get this law we can then sell this surplus abroad without starting a two-price system and without dumping. This would be preferable to making any announcement now that we are going to sell cotton, especially since the proposed sale would not take place until March, and we might also prejudice our chances of selling our regular export of 3 1/2 million bales. Meanwhile, of course, we should continue to use every device to get rid of our surpluses under P. L. 480, etc.

When the President asked if fats and vegetable oils were examples of recent "dumping", Mr. Stassen explained that world demand for fats went up just as we started to put these commodities up for sale, so that we were just lucky with respect to them.

Mr. Benson stressed that to announce our selling policy now would serve notice to the world that we are not going to sit by and continue to lose our fair share of world cotton markets to foreign competitors. Mr. Humphrey still objected to making the announcement five months ahead of time, and then commented that we are in the strange position of having, through technical assistance programs, taught people all over the world how to raise cotton more efficiently and even supplied them the tractors with which to grow it. The Secretary of Agriculture emphasized again that we will not permit this million bales to disrupt world markets and that in disposing of surplus commodities to date, no markets have been disrupted yet. He questioned the cited alliance between the farmers and mill operators, and pointed out that they have promised us they will help support legislation which will get support prices down. Mr. Stassen made the suggestion that we get some of the other cotton producing countries to limit their production as we have limited ours.

Sec. Weeks stated the case of American business men who would, paying domestic cotton prices, find themselves completely undercut by foreign

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textile mills who could buy US cotton cheap and sell the cheaper finished product in the United States. The Secretary of Agriculture commented that we are doing this to all sorts of commodities except cotton, and that many of them would come back in the form of finished goods if the price spread were too wide. He emphasized, however, that we will regulate the price differential in accepting the bids and will not allow the price disparity to be too much. He again emphasized that selling this million bales will help us get the support of Members of Congress, who are the only ones who can help us achieve a permanent solution to the problem of surplus cotton. Sec. Weeks, however, pointed out that Japanese competition has made US business men very much afraid; an export subsidy for cotton will appear to them as just another advantage given to foreign producers.

The President asked for State Department comments, and Mr. Hoover read a statement (copy attached). He ended with the comment that this two-price system that we have has resulted in a virtual ban on the import of so many agricultural commodities into the US and that this import limitation caused us no end of trouble in negotiating GATT.

Sec. Benson commented that we would not expect to move any great quantities of cotton immediately, but that announcement of this course of action would tend to put a stop to world market expansion at our expense. He emphasized that what Agriculture was proposing was not a radical measure and that Agriculture would not have suggested it had we not insisted, with the Congressmen involved, that we had to have them tackle this problem of support prices. The sale of a million bales, he was convinced, was the surest route to the objective we all want without the threat of extreme legislation. It would be a token of our good faith, while the alternative would be a highly unacceptable law. The President commented that some sixty Senators signed Senator Thurmond's bill for an out and out two-price system -- this would be almost enough to override a veto.

Mr. Stassen suggested that we privately warn these other producing countries that, if they keep expanding at the expense of our markets, we would have to do something. Sec. Humphrey emphasized there were just two ways to solve this problem: either by an export subsidy, or by reducing our domestic support price on off-grade materials. He warned against our trying to do for cotton what Brazil did for coffee. This export subsidy technique broke Brazil and would in time break us, too. He renewed his proposal to say or do nothing now but make a determined fight in the Congress next year for new legislation. Mr. Weeks pointed out that there were many people even in the cotton industry who were against an export subsidy. Mr. Benson commented that many, however, were in favor of it. He assured his colleagues that Agriculture could terminate the sales overnight if necessary; they have that authority. Mr. Lodge expressed sympathy with Mr. Stassen's

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suggestion about consultation with other countries. Mr. Benson explained that we routinely invite in the Agricultural Attaches of the interested countries -- and further commented that even the Netherlands privately admits we will have to sell our dairy surpluses at less than world prices.

Under Sec. Hoover commented that Egypt has already cut back her acreage but other countries are not in a position to do this. In response to a question from Mr. Hoover about timing, Mr. Benson explained that we would make this announcement now but not sell the cotton until all the crop was in this year, i.e., next March. Mr. Hoover commented that the effect of this would be to keep prices depressed all over the world. The Secretary of Agriculture said he was convinced, however, that there would not be any great reaction if we announce only this modest program. He pointed out that other countries subsidize their cotton exports; Pakistan, for example, used as one of its reasons for devaluating its currency the helpful effect which this devaluation would have on cotton exports. Mr. Wilson asked if the cotton in storage deteriorated. Mr. Benson said it did not. Mr. Wilson then suggested that we offer some of this cotton on the domestic market at a cut rate. Mr. Humphrey pointed out that the law prevented us from doing this and that was the law that we wanted to get changed and thus be able, later, to sell off-grade material domestically at a low price. The Vice President queried whether we can really get through a law next session which would reduce the price support level. The President said he was not completely convinced that this particular sale would help that legislation. The Secretary of Agriculture pointed out that we are engaging in this type of sale with respect to every other surplus commodity except cotton -- and now cotton presents us with the worst problem. Mr. Wilson asked about the feasibility of having long credit terms for export, and the Secretary of the Treasury pointed out that there may be dozens of ways to move cotton and still keep the prices up but one of our major problems is to dry up some of the foreign competition -- and the only way to do that is to get the domestic price support level reduced.

The Vice President suggested that we announce (1) that our policy is to get the law changed in January, and (2) that at some time we are going to make some foreign cotton sales. This latter announcement might encourage other countries to reduce some of their cotton production.

The Secretary of Agriculture pointed out that if we go to the Congress and ask for new legislation, Congress will simply ask us what have we done under the authority we now have; we have sold everything else but cotton -- why haven't we sold cotton?

The President said we must get notice out to the world in some way that we are not going to sit back and lose all our cotton markets. He

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cautioned, however, against making an announcement now and taking all the disadvantages which would be provoked in our international relations while not being sure that we will get any advantages domestically or legislatively. Somehow, however, the world should be given the picture as we see it. While other countries' cotton production is expanding we have reduced our acreage in order not to embarrass our friends abroad. Perhaps nothing more formal than a press conference statement should be used to put the world on notice -- not as a statement of fixed policy but as a warning. The President then suggested that we abandon the practice of making a specific policy announcement about the cotton market. Messrs. Hoover, Benson, and Humphrey pointed out that while perhaps this was not a good position for the US to be in, the whole world, both importing and exporting countries, was nevertheless waiting tensely for the US marketing policy announcement which was actually due a month ago. Mr. Humphrey pointed out that with eleven million bales of cotton in surplus we are the market. He suggested that, in announcing our prices for this year, we should say we are going to the Congress in January and ask for a cut in price supports. Mr. Benson commented that people already know that this is our policy.

The Secretary of Commerce felt that if we could hold out for four or five months more, we could get some legislation which would finally help us. The President commented that this was not the temper of the group who came to see him last week in his office about this very subject. When he had suggested to them that the real solution was to reduce the 90% price support, he didn't get a single bit of support from that group. Even so conservative a Senator as Mr. Russell said he was in favor of a two-price system. Mr. Benson repeated his belief that the President would have a two-price bill on his desk next year unless we make some token move of cotton now. Mr. Hoover commented that a two-price system for other commodities was not the same as that for cotton, since the other surplus commodities do not "rebound" to the same extent in the form of manufactured imports.

The President mentioned that Senator Anderson told him that he had disposed of seven million bales of cotton when he was Secretary of Agriculture -- without even making a ripple in world markets. The Secretary of State asked if it was not one of the objectives of this proposal to make a ripple in world markets in the sense of putting the world on notice that the expansion of foreign cotton production at our expense has got to stop. Unless this proposal makes a splash, so to speak, it will not have the beneficial effect of preventing some of that foreign expansion. The Secretary of Agriculture said we simply want to announce to the world that we will sell cotton competitively and fairly -- under controlled conditions. The Secretary of State again asked if this would be enough and done in such a way as to slow up foreign

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production. Mr. Benson said it would have that effect since the world knows that we have eleven million bales of cotton behind us. Mr. Hoover asked how much of a price spread Agriculture would expect between the domestic price and the export price. If it were something like 3¢ a poung this would not disrupt markets very much but it also would not discourage very much foreign cotton acreage expansion. Mr. Benson commented that the cotton we hold is even over-priced domestically and thought that the export price would not be much lower than the domestic price.

The President commented that if we think we have a problem now, then just wait until next year when we will really have pressure from the Congress. He pointed out that we have been holding eight million bales of cotton up to now and we could continue to hold it. Announcing this new policy, however, would let the world know we are going to enter world markets competitively -- but not with the whole eight million bales.

Mr. Humphrey summarized the problem as: finding the way which will most helpfully influence the development of constructive legislation. Perhaps, he said, we should export some of this cotton at a lower price and at the same time tell the American manufacturers there will be no import quotas. This would certainly arouse our domestic manufacturers to yell for changes in the law.

Returning to the question of how to make this announcement palatable, the President suggested that the State Department take the line that we are protecting our friends abroad against the threat of very harmful legislation; we are taking a step such as this now rather than being faced with something much worse later. Mr. Benson added that we could emphasize that we are selling only one grade and only a certain quantity.

The Secretary of State then stated that he was not so much concerned about what we said or how this was announced; his true point of concern was what would actually happen to the economies of Pakistan and Egypt, for instance, if these economies should fall into a tail-spin just at the time when neutralism is gaining ground in the Near East. This would jeopardize the whole oil situation. If we handle this cotton export proposal in such a way as would not disrupt world markets, it will probably work out all right. He commented, however, that this conservative proposal will probably not achieve our objective of drying up foreign expansion. It would be unlikely that we would achieve this goal unless we engaged in a drastic dumping program. The Secretary of State said that as far as State was concerned he could live with the kind of proposal Sec. Benson had in mind.

The President asked if we could put a limit on sales in any one month. Mr. Benson replied that this might not be wise. Mr. Humphrey again summed up by pointing out that a combination of foreign export subsidy-import quotas would be wholly bad. A reduced support price and an increased participation in world cotton markets would be good, but that

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we would be voluntarily doing a little of the bad to achieve the good. The President commented that we ought to put US growers on notice that they should try to switch more from lower grades of cotton to the long staple grades where we have much less of an export problem.

The President then requested the Secretary of Agriculture to lay the question out in black and white for Cabinet next week in the form of a specific policy statement for the government to follow for one year and also, in the same document, a proposed press release which would be as persuasive as we can make it toward the climate of opinion we want to produce. Mr. Benson added that we could even say that we disfavor a policy of export subsidies.

The President explained that he was convinced that next year we might get very bad legislation which we might not be able to handle. The Secretary of Commerce said he could still bring forward evidence which would show that we would be better off by waiting until the first of the year. Secretary Dulles pointed out that he would very much like to see this laid out in writing. The President commented that perhaps we should call in some of the countries involved and talk frankly to them, thus giving our friends some preparation for what our policy may be.

It was agreed that Agriculture would draw up the paper requested by the President and would submit it to State, Commerce, and Treasury for comment during the week. The President said he wanted the document for press release in mild terms without any commitment to a two-price system. He ended the discussion by pointing out that every time the United States, it seems tries to do anything to get its own economy back in shape, after the mismanagement of twenty years, foreign countries always set up a chorus of "this will break us" -- even though we have given them millions in aid. For us to acquiesce constantly is to get ourselves in a complete box. He closed the discussion by asking everybody to consider not only his own Department's particular views but all the pros and cons of Mr. Benson's proposal, remembering that we face a very hostile Congress on this subject.

Letters on the 1957 Budget Ceiling - Mr. Hughes reminded his Cabinet colleagues that these letters were now going out, that no figures had been included in any of them in order to provide some flexibility, and that none of the fundamental policy assumptions had been included either, since those assumptions had been discussed with the people involved.

Bradley H. Patterson
Bradley H. Patterson, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

Read by the President at Cabinet 8/5/55

In two-and-a-half years we have come far toward balancing the budget.

When this Administration was inaugurated, it was faced with a planned deficit of $9.9 billion. We have cut that deficit level by more than half. At the same time we have absorbed a $7.5 billion tax cut. This is excellent progress.

But still we haven't reached our goal, even in this year of unparalleled prosperity. A deficit of from $1.5 to $1.7 billion is still likely for this fiscal year.

This amounts to only three per cent of the Federal spending planned this year.

~~I consider~~ That three per cent stands as a challenge to every one of us. Surely, in this giant government, there are still programs, administrative costs or wasteful practices of one sort or another that we can root out without damage to anything truly essential.

I think we can find at least that three per cent and balance the budget this year. To this end I am directing the Budget Director to deduct three per cent of the expenditures planned for this year. I am confident that with determined effort throughout our government, we will save at least this amount.

If anyone finds, after earnest application, that a cut of this size is an impossibility, he is to come to me as soon as such impossibility becomes apparent. I shall talk it over with him and the Director of the Bureau of the Budget.

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THE WHITE HOUSE
WASHINGTON

August 4, 1955

MEMORANDUM FOR THE PRESIDENT

Secretary Humphrey suggested a slight addition to your statement on balancing the budget.

I attach the amended version, with the new material underscored.

BH
Bryce Harlow

THE WHITE HOUSE
WASHINGTON

August 4, 1955

MEMORANDUM FOR THE PRESIDENT

Attached is the statement prepared in keeping with your discussion yesterday with Secretary Humphrey and Rowland Hughes.

Governor Pyle and Percy Brundage concur in the attached paper.

Bryce N. Harlow

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THE WHITE HOUSE
WASHINGTON

August 3, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Tentative Agenda for the August 5 Cabinet Meeting

The following items are, subject to your approval, scheduled for the Agenda of the Cabinet this coming Friday:

Item 1: Preparation for the State of the Union Message
(The President)

Now is not too early for the respective Departments to start thinking about what should appear in your State of the Union Message next January. If that Message is going to be a hard-hitting, succinct statement of your policies and recommendations, yet is not to be clogged with details, then the careful (and lengthy) process of research, selection, screening and drafting should begin soon. An additional factor in this screening process will be the political nature of the 1956 legislative year. This material will be of use to both the Legislative Liaison and Mr. McCann's office. All this points to the advisability of your making an assignment now that the Departments submit actual draft language of their respective State of the Union sections to the Staff Secretary before October 1, 1955.

TIME SET: 5 minutes

Item 2: U. S. Policy with Respect to CCC-owned Cotton
(The Secretary of Agriculture)

Secretary Benson, in response to your request, will present this rather explosive issue to the Cabinet. This subject has been discussed in two previous meetings of the Council on Foreign Economic

Item 2 (cont.)

Policy. The Department of Agriculture is, in effect, appealing the decision of the other Council members not to accept Agriculture's proposal for a two-price system for cotton.

The paper which Agriculture is preparing will be a memorandum to you, supplemented by the minutes of the two pertinent CFEP meetings.

TIME SET: 30 minutes

Item 3: Report on Investigations (The Attorney General)

Following up on last week's Cabinet Meeting, I am pleased to report that by the subsequent Tuesday morning all the Departments had complied with your request for designees to work with Justice on the investigations problem; by this coming Thursday the Attorney General will have held the initial meeting of this group of officials.

Because of the keen interest of the Cabinet in this situation, the Attorney General is prepared to tell you and his Cabinet colleagues of the progress made since last week and to give the Cabinet a brief estimate of the investigations which can be anticipated between now and January.

TIME SET: 10 minutes

Item 4: Rental of Limousines for Government Officials

(The Director, Bureau of the Budget)

With the increasing emphasis upon ethics in government, the Director of the Budget feels this matter, unless cured, will subject the Administration to considerable criticism. Mr. Hughes' recommendation is that rental arrangements for limousines be confined only to Secretaries of Executive departments.

TIME SET: 5 minutes

Item 5: **Administration Policy With Reference to the Immigration and Nationality Act**

(The Secretary of State,
The Attorney General)

This item will include (a) the question of the desirability of formulating promptly a firm Administration position, and (b) allocation of responsibility in the Executive Branch.

The Secretary of State does not want to go into substance, but to know how to meet requests from Senatorial committees for appearances on this subject. The Attorney General feels that this is a proper item, and will speak to it when it is brought up.

TIME SET: 15 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

[Read by Under Secretary Hoover at Cabinet Meeting August 5, 1955, re Item 2]

COTTON SITUATION

We are acutely aware of the problem that is faced by the Department of Agriculture in disposing of increased stocks of cotton in the Commodity Credit Corporation, as well as by the situation faced by domestic cotton producers. In adopting a radically new policy, however, we believe that its impact on foreign relations and foreign trade must be given full consideration.

As we understand the plan, it is proposed to subsidize the sale abroad of up to one million bales of cotton now held by the Commodity Credit Corporation during the coming crop year. For the first time in 9 years U. S. cotton would be sold for a lower price in foreign markets than to purchasers in the United States. A two-price system would result.

From the standpoint of foreign relations, this would add a new commodity, and a new group of countries, to the long list where we are engaged in so-called "subsidized dumping" operations. It is this latter phase of our surplus disposal policy which, apparently above all others, has created acute resentment in foreign countries with its attendant deterioration of our relations.

The extreme importance of cotton to the economies of a number of friendly countries is shown by the following figures, which list the average percentage represented by cotton in their total export earnings over the last three years:

Egypt	85%
Pakistan	40%
Peru	30%
Mexico	24%
Turkey	18%
Brazil	8%

The list includes three of the leading countries in the Middle East upon whom we must remain dependent, in many ways, for good working relationships. Each of them are already in varying degrees of economic difficulty and we are now giving them large amounts of economic aid. Their requests for still more will be accentuated by a lowering of prices for their exports.

The list also includes three countries in Latin America where we are also in need of cooperation and good will.

The damage that can occur in our foreign relations would seem to be out of proportion to the increased amount of cotton that it is proposed to sell under this program. In fact, we believe that the proposal would move very little, if any, additional volume over the amount which would be sold without a subsidy.

The following facts would seem to bear this out:

1. Cotton is a relatively inelastic commodity, and a

very appreciable cut would be necessary to increase the volume of consumption.

2. Foreign countries do not have the means to finance a carry-over, and are forced to sell the bulk of their production for whatever price it will bring.

3. The net effect of this policy is to decrease the world price without appreciably increasing the volume of U. S. sales. The threat of a subsidized program has already depressed cotton prices in foreign markets during the last few months, and the spread is now approximately three cents per pound between equivalent grades in Mexico and the United States.

4. U. S. textile manufacturers would not only be faced with subsidized competition from abroad in the domestic market, but U. S. sales of finished textiles in foreign markets would also be at a corresponding disadvantage. The latter catagory has amounted to an equivalent export of about half a million bales annually.

The basic cause of the cotton problem, and its effect on our foreign relations, is the same as we are having with many other commodities all over the world.

It is simply that through the operation of the fixed support price system, we have priced ourselves out of the foreign market.

If we can develop a system whereby our efficient, low-cost producers can compete directly in the foreign field, without resort to a subsidy, we should be able to regain our historical market position, and with a minimum effect on our foreign relations. Cotton prices will then be determined by the natural effects of supply and demand, and will not be regarded as arbitrary actions by the U. S. Government.

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E.O. 11652, Section 1
By BHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING
FRIDAY, AUGUST 12, 1955
9:00 A. M.

Attendance at Cabinet:

THE PRESIDENT

The Secretary of State
The Honorable Andrew N. Overby
  Assistant Secretary of the Treasury
The Secretary of Defense
The Attorney General
The Honorable Norman R. Abrams
  Assistant Postmaster General
The Honorable Clarence A. Davis
  Under Secretary of the Interior
The Secretary of Agriculture
The Secretary of Commerce
The Secretary of Labor
The Secretary of Health, Education
  and Welfare
The Director, Bureau of
  the Budget
The Director, Office of
  Defense Mobilization
The Chairman, Civil Service
  Commission
The Honorable Arthur Burns
  Council of Economic Advisers
The Honorable Henry Cabot Lodge, Jr.
  U. S. Representative to the UN
The Honorable Harold E. Stassen
The Honorable Sherman Adams
The Honorable Wilton B. Persons
The Honorable True Morse
  Under Secretary of Agriculture
The Honorable Joseph Dodge
The Honorable Herbert Hoover, Jr.
  Under Secretary of State
Dr. Gabriel Hauge
Colonel A. J. Goodpaster
Mr. Murray Snyder
Mr. I. Jack Martin
Mr. Bernard M. Shanley
The Honorable Nelson Rockefeller
Mr. Maxwell M. Rabb
Mr. Bradley Patterson, Jr.

The meeting opened with a silent prayer.

Mr. Rockefeller demonstrated for the President and his Cabinet colleagues an ultra-light, simple and portable record player.

1. The Hoover Commission's Recommendations on Paper-Work Management.

The President called attention to the recommendations of the Hoover Commission on paper-work management and to the convictions of the Commission that acceptance of these recommendations would mean the saving of a great deal of money for the Executive Branch. The President pointed out that it had been agreed that GSA would serve as the President's agent in getting certain aspects of this program moving. He gave it as his opinion that the real way to go about the problem of cutting down on permanent records (and he thought that the FBI was perhaps the worst example of this) could best be tackled by getting better people in the respective file rooms instead of what is sometimes now the practice of putting the lowest grade clerks in charge of files. The President read off some of the Hoover Commission's recommendations:

a. That one-half of each agency's records should be in a central place - a suggestion which the President very much favored.

b. That Departments should use uniform types of correspondence forms in reports, letters and messages.

The President referred to military and State Department cablegram forms and endorsed these recommendations, pointing out that we should really try to save some money in this one simple way. The President noted that each Department has appointed an officer to handle Hoover Commission recommendations and suggested that consideration be given to appointing a special assistant to that officer for paper-work management -- who would work with GSA to make this program work effectively.

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Secretary Wilson wondered if GSA were not too big and too centralized already and warned against the assumption that one could make an agency more efficient by making it bigger and bigger and more and more centralized.

The President of course agreed, but defended the role which GSA plays in assisting the agencies. Mr. Hughes reminded his colleagues that GSA was not to be considered as administratively in charge of this program or as enforcing it but rather as having an assisting or advisory capacity. The President said that the point he wanted to get across was that the agencies should not resist having somebody from GSA come in to help them with records and paper-work management. Department heads and their subordinates should accept GSA officers who can go around and make suggestions on paper-work efficiency and economy. The Attorney General mentioned some of the actions which Justice had taken in this regard. They had made enough from the sale of waste paper to pay for one additional supervisor in the file room.

2. U. S. Policy With Respect to CCC Owned Cotton.

Mr. Benson opened the Cabinet's second discussion of this subject by summarizing several points:

1. Reports from abroad indicate that the expansion of foreign cotton acreage has been made at the expense of needed food and feed crops and that this has adversely affected the diet of some of the countries involved.

2. The cotton world expects the United States to become more competitive. (The Secretary at this point read excerpts from a magazine article to prove his point.)

3. There is some opposition to Agriculture's proposed course of action from some of the larger U. S. cotton producers -- those who have spent a good deal of money to develop the foreign cotton industry.

4. We must let the world know that we are going to sell more competitively and fairly or else quit completely so that world markets will become stabilized.

5. A Canadian agent has recently said that he would buy four hundred thousand bales if the CCC would meet world prices. He has now gone to Mexico to make his purchase.

The Secretary of Agriculture said it was of course important that representatives of friendly nations be notified in advance of our intentions. He thought it was important that the announcement of this marketing policy be made when the world cotton markets themselves are not open. Ideally we should announce our policy this afternoon since both European and U. S. markets are closed. If necessary the announcement could come tomorrow.

The President mentioned that he had a telegram from Representative Martin warning that if we sold cotton more cheaply than CCC prices we must put quotas on cotton imports. Mr. Benson pointed out that such a small quantity is involved that quotas will not be justified. In answer to the President's question whether this million bales would depress the market, the Secretary said it would hardly put a ripple in it. He pointed out that foreign millers are even now getting cotton more cheaply from foreign growers than from the U. S.

Secretary Weeks reminded his colleagues that S. 2702, sponsored by Senator Eastland and sixty others, specifically calls for the imposition of quotas and that it is the understanding in the South that quotas will be a part of this "package." He warned of the misunderstanding when manufacturing

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people think that quotas are part of what is involved and we do not. He said he was sympathetic with Agriculture's desire to get rid of the surplus cotton, but that it is not really just to have foreign manufacturers given a better price on cotton than our own Government gives to domestic manufacturers. Secretary Weeks suggested that we wait until Congress comes back; we might get something helpful and beneficial all around -- perhaps changing the pattern of supports.

Secretary Weeks also made the suggestion that we sell cotton at world prices to domestic manufacturers provided that they guarantee that the product of that cotton is sold only in the export market.

Secretary Benson said that this could not be done without new legislation and added that the Department of Agriculture would not look with disfavor on such legislation. He felt that the course of action advocated by Senator Eastland went too far but he was convinced that if we move now we have a better chance of getting some reasonable legislation. We are offering a small quantity in a market which is already below our domestic price.

The President then pointed out that we say we are not going to break the world market and then asked when even a part of those million bales is going to move. Only if the price goes down, he thought. Secretary Benson then pointed out that the consumption of cotton is rather low in some countries; very little of the type and grade of cotton involved here is consumed in this country; Agriculture believes that some of this grade of cotton will be consumed in areas which have not consumed cotton before.

Ambassador Lodge asked whether we will get the legislation we are hoping for and the Secretary of Agriculture answered him by saying that we will have a much better chance if we make this move now. Mr. Lodge suggested that we start to embark on this course of action without making any announcement and simply wait for queries from the press. Mr. Benson said this was such a sensitive matter we had to say something. Mr. Stassen suggested using only the first paragraph of the suggested press release in CP-34 and the President questioned why CP-34 was so long. Mr. Hoover emphasized that we had to make a fairly full statement since every word we said would be examined with the utmost care in the cotton markets of the world. We should even risk saying too much, but we must try to answer all the questions and criticisms which would arise.

The President reflected that the bicycle decision was a hard one too; we are not going to buy bicycles but we are going to insist that foreign countries buy our cotton. Is this not inconsistent? Logically, he said, any increase in import duties for bicycles is crazy but we get emotional about it. Mr. Benson pointed out that there is a lot of emotion about cotton too. The President said that he of course sympathized with Mr. Benson's argument. Mr. Hoover pointed out that cotton is sold in exchanges where the laws of supply and demand apply particularly severely; bicycles are different, not being sold in that way. The President rejoined that the principle involved was the same. The President referred to the first paragraph in the proposed press release, "no more than a million bales", and asked whether this will look like a limitation or will it scare people to death. Mr. Benson answered that it will be a notice to the world that the trend of foreign cotton acreage expansion at our expense had better stop since if it does not all our foreign markets will be taken away from us.

It was suggested that a statement be inserted that "under the law the Secretary of Agriculture has the authority" to do so and so -- in other words to quote the law. Mr. Benson pointed out that people in the cotton business know the law well. The President reminded him that the rest of the world does not. The President also suggested that the gradual nature of this sale should be emphasized in the press release, perhaps in the third paragraph.

The Secretary of Defense asked why anybody buys any of our cotton. Mr. Benson said the answer to that was that our cotton is of exceptionally good quality.

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The President said that we have got to take some action on this subject but predicted that the question of quotas would start to hit us right in the face if the world cotton market should start to break. If the price differential is now three cents and then becomes four or five cents how can we duck the problem of quotas? The Attorney General suggested that our answer be that, in the coming January, we will go over with the Congress the basic question of support prices.

Ambassador Lodge then asked about consultation with the legislative leaders and Secretary Benson assured him that they will be called and consulted.

Mr. Wilson wanted to be assured that the Secretary of Agriculture had the clear legal right to take this course of action. Mr. Benson so assured him and the President commented that while he was responsible for what the Executive Branch does, Mr. Benson actually had the authority under the law. This selling program, however, does not start until after the first of the year. Mr. Wilson wondered whether this course of action would endanger the three and one-half million bales of existing exports; to add on the one hand and cut down on the other hand wouldn't get us very far. Mr. Benson pointed out that we cannot say for sure and that we may not even sell a million bales at all. The President stated that if we find we have made a mistake we can always reverse ourselves. He pointed out that he is never too proud to admit it when he is wrong. Mr. Stassen wondered whether the market may have already discounted the probability of our taking this course of action and pointed out that consumption went up in Asia last year. Mr. Benson added that our own consumption had been decreasing and Mr. Stassen attributed this to the use we are making of synthetics.

The Secretary of State said that he was acquiescing in the proposed course of action but did want to point out that unless this operation does bring world prices down it will not stop foreign planting. Foreign planting can perhaps better be slowed down by talking with representatives of some of the countries involved. No such talks have been held yet since the Executive Branch has not until now been in a position to say: stop your planting and we will not dump our cotton. Only if world prices go down will the course of action proposed in CP-34 put a damper on foreign cotton planting. The President said he wasn't so sure; that these other countries know that all this cotton is here ready to sell. This might make them reflect. Mr. Dulles pointed out that we haven't, however, sold any of this cotton for years and foreign countries know it. But if we should start now a second dilemma arises: while it is true that the foreign textile millers have been getting cotton below the price that the U. S. millers pay, this has not been done as a result of the latters own government's action. Now the U. S. miller sees his own government selling this cotton at a lower price to his competitors and this has a new psychological impact. The proposed course of action would of course increase rather than decrease the demand for quotas from U. S. manufacturers. This he said was his best judgment of the situation but he was willing to defer to the course of action proposed.

The President asked about the size of our cotton imports and Secretary Weeks said about six percent of our production is exported and one percent of our production is imported; in other words we are exporting six times as much as we import. Mr. Weeks then read from the draft bill to which he had referred earlier and from which it was evident that the southern Senators are just as much interested in quotas as they are in the sale of cotton. General Persons pointed out that from the talks he had had with some of the Senators concerned they are not so much afraid of what is being imported now but they have a deep-seated fear of future Japanese import competition. Secretaries Benson and Weeks confirmed this impression. Mr. Benson commented that there was even some leeway in that bill which would indicate that the Senators do not feel too strongly about this.

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The President asked about the new Japanese trade agreement. Dr. Hauge replied that this agreement has in it provisions for an absolutely bare minimum of textile imports; these provisions had to be in there, else there would have been no agreement and even no negotiations with the Japanese. There were some reductions made in the tariffs on lower grades of cotton. The Tariff Commission concurred in them.

The President said we have four months to see what happens. If the market settles down in those four months we can let one hundred thousand bales a month out. Mr. Benson thought that the market would probably firm up following this announcement. He said the buying has almost stopped now. Mr. Dulles added that foreign planting will not stop. The President said perhaps we must explain to them that if they keep on expanding, this problem is simply going to get more serious. The Secretary of State, however, asked if we were really in a position to do anything more than talk this way. The President thought that we could show the foreign countries involved how gingerly we were going about this course of action and we would suggest they be equally careful. The Secretary of State emphasized that he wasn't worried about what people will say but about what might happen. Secretary Wilson commented that somebody has simply got to be squeezed out of this business, but Mr. Dulles asked "How?"

The President summed up by stating that there were so many views we had better try something and see what happens. We are not going to make any attempt to restore our original market position back to the time when we sold so many million bales. Mr. Stassen commented that the sixth paragraph looks as though we might be saying just that. Mr. Benson asked how much time the State Department needed for consultations with the foreign governments interested. The Secretary of State asked for 24 hours and suggested that the announcement be made at noon on Saturday, August 13th. Secretary Benson made a suggestion about the procedure of consultation and the President asked that he discuss this with the State Department. The President then requested that the proposed press release be gone over again very carefully. General Persons asked that Secretaries Weeks and Benson should be sure to talk with Representative Martin on the phone about this decision. Ambassador Lodge suggested that we not only notify the Congressional leaders but have conversations with each of them and make clear to them that we expect them to help us out of this dilemma in the future. The President said we should emphasize we are taking the best course of action we know how. The Secretary of State cautioned against making too flat a statement about prospective legislation which we expect next year and Mr. Benson referred him to the language of the two closing paragraphs of the press release. The President commented that we should plan to take up legislation next year which would allow U. S. producers to buy cotton for export only (Mr. Weeks' suggestion). Mr. Benson said that perhaps we could do what Secretary Weeks suggested administratively but we are not sure without further checking. Dr. Hauge asked whether enough analysis had really been made of this course of action - which amounts really to a major policy departure. The President closed the discussion by commenting wryly that this was one of those problems about which no matter what one does is wrong.

Governor Adams, at the end of the Cabinet meeting, reminded his colleagues that Secretary Benson was in charge of this release on cotton and any current questions coming to anyone else on this subject should be referred to Secretary Benson.

3. Report on Investigations

The Attorney General pointed out that some eighty investigations have been announced as being under way or pending and that the amounts appropriated for these investigations are at a record high. Some of them will be holding hearings even between now and January. He asked first that Cabinet Members keep in close and frequent touch with their respective designees who are working as an informal committee on this problem of investigations in order that each Cabinet Member may be fully briefed on where we stand. The main lines of our position are already clear: it will be neither wise nor legal to agree to have these investigators come in and look over the files of any Department. There are plenty of precedents against this; we should insist that any request for information be in writing and be specific. The Attorney General said that each man on this informal committee is getting up for his own Department a file on the precedents and special problems which apply to that Department

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Seven of the eighty investigations will affect the Executive Branch across the board. One of these seven is the investigation of WOC's; the other on the employee security program. The Attorney General pointed out that his informal committee was designating one man to work on each particular problem and asked that Cabinet Members each give their respective designee the authority he needs to do the job given him.

The President requested that the question of public relations be kept continually in mind. He asked that the President be consulted in advance in plenty of time whenever anything came up which required it -- and not be left behind the eight ball. He pointed out that it had to be our general position that we could not blame Congress for wanting to undertake investigations particularly after twenty years of crookedness. We should take this positive view and keep putting the burden on the back of the opposition. If we find anything criminal we should unearth it and prosecute -- then it will be too late for investigation. We should miss no opportunity to extoll our real accomplishments. He insisted again that the President should be notified whenever there was a statement which he could make which would be helpful. He pointed out that we are planning to go to the Congressional leaders and to the minority staff members and consult with them about this problem of investigations; we will be able to get advance information from them about what investigations are impending.

Mr. Young reported that several of the departments have been asked by the investigating committees to detail men to work on the staffs of these very committees. Several departments have agreed to do this -- on the theory that the investigations might then be less severe. Mr. Wilson said his reaction to that was somewhat negative. (When Mr. Young informed him that Defense has detailed such a man he commented on the difficulty of knowing what was going on in his own Department.) General Persons reminded Cabinet Members that they themselves should make contact with the Republican members of these investigating committees. Mr. Wilson cited an example of an investigation: the request of Senator Lyndon Johnson for figures on all the aircraft production going back to 1946. The President referred to this request and pointed out that it also would entail a revolutionary revamping of the AEC program. These investigating committees will first of all try to make it look as though we are risking the national security of our country. He again reminded his Cabinet Members to call on him for help on the public relations side.

4. Rental of Limousines for Government Officials.

The Director of the Bureau of the Budget referred to Cabinet Paper 33 and pointed out that over the years Cabinet Secretaries have been allowed to use cars in excess of those cited in their appropriations. One Congressman has already inquired about this practice and will be following up on this inquiry. Mr. Hughes then read aloud the recommendations of CP-33. The President inquired what the law is. Mr. Hughes replied that the law entitles Secretaries only -- heads of departments -- to use limousines, not even Under Secretaries. Of course in some cases we have gotten further authorizations from the Congress by means of language in the Appropriation Acts. Mr. Dulles explained some of the circumstances in State's use of limousines. Mr. Hughes proposed that he give each Cabinet Member a spelling out of what is authorized for his Department under the law and then Department by Department consider what new or changed authorizations, if any, should be sought. The President asked if it is legal for an Assistant Secretary to offer to pay for the rental of a car. Mr. Hughes commented that the rental companies feel they are being pressed a little too far down this line. The President spoke of the need of being able to cut off the chauffeur in a government limousine in

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order that conversation can be private. Mr. Wilson mentioned a special problem he had with the Secretaries of the Army, Navy and Air Force. In response to the President's question as to whether they had authority for limousines, Mr. Hughes answered that they did not but that they had cars. The President said that this was senseless. They should have the authority. Mr. Hughes commented that they were not violating the law but just getting around the law. The department by department approach outlined by Mr. Hughes was approved and the recommendations of CP-33 were approved in principle.

5. Administration Policy With Reference to the Immigration and Nationality Act.

The Secretary of State opened the discussion by pointing out that the Administration is being harassed to come out and say what it really thinks of the McCarran Act. Senator Kilgore has demanded that Mr. Dulles testify as to what we mean. What should we do now? For three years we have not said anything and this harassment is going to intensify. The Secretary suggested that the Attorney General be invited to consult with each interested Department and come up with recommendations.

The President commented that we had been busy with the Emergency Refugee request. The Attorney General said that we have a list of specific changes we would like to see made in the McCarran Act but that it was felt we should concentrate on the Refugee Relief Act as an emergency measure. Senator Kilgore, it is understood, is going to try to hold hearings on the subject of immigration before next January.

The Attorney General endorsed Mr. Dulles' suggestion concerning preparations. He also commented that the very existence of five thousand private immigration bills shows that the Act needs to be changed to give more discretion to those administering it. We can make a good presentation on this subject but of course there are political questions involved. The President said he wanted to lay on the line what we think is right and he wants to include it in the State of the Union Message next January. He pointed out that Eastern European and Mediterranean nations were vitally interested in this subject. He suggested that we draw up one group of desired changes in the Refugee Act and another group for the McCarran Act and then ask for the former on an emergency basis and for the latter later in the session.

The Attorney General commented that the quota problem is really going to require study and the President added that we should make sure that we have a provision enabling us to use unused quotas. The Attorney General pointed out that Senator Kilgore wants recommendations about just how each quota should be used. The President pointed out that this will please nobody and will displease everybody. We should simply take the position that we want to be able to use unused quotas.

General Persons asked about how we should handle Mr. Kilgore's hearings this fall; any testimony we would give might undercut the State of the Union Message. The President, however, did not think that Senator Kilgore's hearings would have much publicity. The Attorney General asked who should lead off at those hearings. The Secretary of State said that this fundamentally was a national rather than a purely foreign policy question: do we want to have more foreigners come in or not? Once he is instructed on this point he can help specify how it can be done. The Secretary pointed out, however, that Mr. Kilgore has been trying to get him to go down first. The President said that Senator Kilgore should be told what the Secretary had just said now, that our immigration policies are not merely foreign policies.

The President then asked that the Congressional leaders next year be told that private bills must be submitted before the last ten days of the Congressional session. He commented that he didn't see why the President had to sign them anyway. He would rather let them become law without his signature except that people say there is an unfavorable implication when he does not sign them. General Persons and the Attorney General pointed out that

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Senator Kilgore wants a policy statement on the Administration's position on immigration and the President's suggestion was that he be told that it is simply impossible. General Persons pointed out that we have few friends on that particular committee and that they themselves have been dragging their feet on the Refugee Relief. The President then commented that we should tell them to get that work done first. Mr. Rabb commented that Senator Kilgore had his say on this already in the closing days of the Congressional session and he strongly suggested that we reserve our top people for testimony until the time when we have a firm Administration position developed. He suggested saying in a press conference in the fall that we will have a firm position in January. From his reading of the foreign language press he is sure that the McCarran Act is what the Balts and other nationality groups in this country feel very strongly about. Something should be included in the State of the Union speech on this subject but Senator Kilgore's hearings should not be dignified by the appearance of top level Administration officers. Ambassador Lodge commented that this issue could make the difference politically in some of the Eastern states. The Attorney General then asked the Cabinet a series of questions for policy advice:

1. Would we be willing to propose an amendment abolishing the requirement for fingerprinting? The President asked if we didn't look up the background of a man before we granted him a visa and the Attorney General said we did. Then the President asked why do we ask for a fingerprint. He pointed out that the Russians considered this something for criminals and the President said he was against it. Ambassador Lodge cautioned against going up to the Congress with this proposal in 1956. The President said that if one knows that something is a good, honest thing to do, say so and let Congress storm, the people will support you. Ambassador Lodge said that this proposal might be a good thing but it was a good little thing. The President said that it might not be worthy of including in the State of the Union Message but it could be brought out in response to a question.

2. The Attorney General's second question was what our policy should be concerning requirements for entry. The President thought that we ought to cut down on the questions about job requirements for entry.

3. The Attorney General then inquired about visits of people behind the Iron Curtain. The President thought we ought to have more of them, teachers, farmers -- more visitors coming in and out. Of course, there was the question of how much it would cost us to watch them. People in groups do not need so much watching since they don't scatter. Mr. Benson commented at this point that the visit here of the Russian farmers is going very well but that our people in Russia were not so satisfied. The Attorney General said that his internal security people were, of course, unhappy about any people coming in from behind the Iron Curtain, but the President immediately pointed out that many, many people are getting in anyway, across the borders for instance. If people come in through established check points you look at them, can keep track of them, have records about them and this is much better than people whose arrivals we know nothing of. Ambassador Lodge suggested that we consult Mr. J. Edgar Hoover. Referring to the problem of entering the country, Secretary Wilson said that sometimes it is rather hard to keep hidden -- people always have neighbors who will be curious. . . The President again referred to the hundreds of immigration bills which are presented to him so often. In so many of them the person has come in some way unofficially, has now become a good citizen, has a wife and children and the President signs the bill to admit them.

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He summed up by saying that we want changes in both Acts and agreed with Mr. Rabb that we should do the least possible to dignify the hearings this fall. Top officials should send perhaps assistant secretaries or under secretaries but we will wait until January for the full disclosures of the Administration's position.

6. Economic Goals and Policies.

Dr. Burns discussed this subject fully but succinctly. He pointed out that our economy has been experiencing a real expansion. Mainly this expansion has a strong foundation. The economies of other countries have also been expanded. Our expansion is widely diffused industrially and is characterized by better balance than we have had in periods of expansion before.

Our expansion has been generated by private enterprise rather than by an orgy of Government spending; this is a bright note.

At the same time stock prices are high and the nation has been going into debt at an unprecedented rate. Wages have gone up and industrial prices have surged forward. If this continues a wave of speculative buying will get underway and this in turn will be followed by a liquidation of inventories, a reduction of capital expenditures and by unemployment. We must do everything we can to avoid this.

Dr. Burns outlined the seven present basic economic objectives of the Administration:

A. We should look forward to an increased volume of production. Our gross national product is 385 billion dollars now; a year ago it was 358 billion. The increase has been seven percent. Next year will not be so large since there was slack to be taken up last year. Our goal should be a 400 billion dollar gross national product by the fall of 1956.

B. Increasing employment. Employment is now sixty-five million, 2.8 million over a year ago. It would be reasonable to try for another increase of a million.

C. Reducing unemployment. In July unemployment was two and one-half million -- which is 3.7 percent of the civilian labor force. It would still seem reasonable to strive to lower unemployment perhaps as low as 2.2 million. From July to October unemployment usually declines twenty-five percent. Our goal should be an unemployment figure of only 1.75 million in October 1956.

D. Farm income. Farm incomes have been declining while industrial incomes rise. We should try to reduce this disparity -- through an improvement of farm incomes rather than through any decline in industrial incomes.

E. Reductions in local or spot unemployment. Massachusetts, Pennsylvania, West Virginia and some other States continue to suffer. We should reduce these pockets of chronic unemployment which mar our present prosperity.

F. Maintenance of stability of consumer and wholesale prices. The upward movement in these prices has been less than one percent in the last year. This has been one of the really extraordinary features of our Administration. To expect this stability to continue would be unrealistic but we should not let these price levels get more than two or three percent higher than the present.

G. A balanced Federal budget in FY 1956 or better still a small surplus. A balanced budget is not really sufficient under present conditions. As we discussed last week we are close. If we cannot produce a surplus under conditions of such unprecedented prosperity, a question can be raised as to whether we can really manage the fiscal affairs of the country.

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This list is not complete but these goals are the major ones. To attempt them will be hard but it will mean continuing the prosperity we have had for the last fifteen months. To keep prices down we will be doing something which has never been done before in periods of expansion. The fact that it has never been done before really means we have a challenge and an opportunity. We should make the most of it.

Mr. Burns said he could not contribute much concerning the farm problem. Within a few days he would have a carefully worked out plan for dealing with local unemployment -- a plan which has been developed in consultation with the agencies interested. His comments and recommendations about the other five goals he had mentioned were as follows: there are two major ways to promote this objective of continuing prosperity.

A. To reduce Federal expenditures not only to redeem a political pledge and live within our means but in the interest of sustaining the prosperity we now enjoy.

B. Applying brakes on credit expansion -- gradually and, if need be, persistently. Several steps have been taken in this direction by Treasury, Federal Reserve, H&HFA and the bank examiners. We must be prepared to apply still stronger brakes if needed. This policy involves a risk that we may not only moderate the rate of economic expansion and restrict speculative buying but that, in the course of carrying out these steps, we may bring the whole economic expansion to a halt and even bring about a decline. We must minimize this risk and this will take the cooperation of every Government agency.

We must cut Federal expenditures now and not six months from now. The reason: in another six months we may discover that the economy has changed and we may need to shift our economic goals and policies once again. If a Department is going to take six months to prepare for cuts and then cannot stop the process we may find ourselves doing the right thing at completely the wrong time. We must make our cuts now -- within the next three months. If we cannot do this now and find we must wait six months, we should think twice about doing it at all.

Concerning our monetary policies, we must be prepared either to be more restrictive or to release the brakes but to be able to act more quickly than we have acted before. January, 1956 is likely to be a critical date in the sense that if we are to reverse our policies we must do it then, else we will lose our opportunity to influence the economy as we wish.

By not passing a road program the Congress has denied the Administration the opportunity to use an important economic tool for 1956. We should ask the Congress to pass the road program early and even consider calling a special session to do this if necessary. We should explore now ways and means for reducing the difficulties with respect to unemployment. Planning is going on now and we consider this an important continuing function of Government. The President broke in to comment wryly that a special session might be at the cost of the sanity and possibly the life of one President Dwight Eisenhower. The President then spoke up to say that he was delighted to have had this briefing this morning. He wanted to be sure that we were keeping in close touch with the Federal Reserve Board and with the Treasury in working toward these objectives. He underscored Dr. Burns' admonition that we must save our money now and we must be flexible and able to move with the requirements of the times. Mr. Stassen referred to the supplies of materials which may be short now, such as aluminum, steel and copper, and suggested we take steps to insure more growth in these industries. Dr. Burns said this is pretty well under way already.

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Governor Adams emphasized that any Department which has a decision to make which will have an impact on general monetary policy should consult in advance with Dr. Burns. He gave agriculture as an example and said that the Council of Economic Advisors should know about any important decisions impending in that area. Secretary Wilson pointed out that there is a lag of between six to eight months between the monetary measures the Government takes and the effects of those measures. Through his long experience in General Motors he wanted to back up what the President had said and underscore the advisability of taking whatever measures we planned to take between now and the first of January.

7. Introduction of Young Blood into the Government -- Management Training for Key Career People.

Chairman Young referred to the recommendations in CP-35 as a preview of what we are going to try to do next Fall and he pointed out that there is now much greater competition for college trained people than ever before and this competition naturally affects the Government. We need one thirtieth of the college graduates which are produced since we now have one thirtieth of total U. S. employment. He pointed out that our system of planning the careers of key people has been haphazard up to now and we need an orderly system. He stressed the point that the responsibility for doing this without question rests on the agencies individually, each within its own organization. He went over the recommendations of Cabinet Paper 35 and stressed that we need better programs of training and much better methods of keeping track of these key men and women as they go through Government. He mentioned the new Federal service entrance examination which would be given this Fall -- taking the place of about thirty separate existing examinations previously used. He pointed out that the reaction to this single examination in the academic world has been very favorable. He summed up his recommendations by asking that the Cabinet endorse this approach and that the President make some kind of statement about these objectives, perhaps as the college year opens in the Fall, and highlight the Federal Government as a career for a college graduate. He also recommended that agency heads should make speeches at colleges and in the academic community underscoring our needs and plans for college people.

Secretary Benson referred to the needs of his Department for training and refresher courses and pointed out that while the Department of Agriculture's Graduate School is here in Washington, he is anxious to find equally good opportunities for his employees in the field. Could they be given refresher courses in local universities? Mr. Young said that a great deal of thought had been given just to this problem of internal training and to the attempt to keep individual agencies' programs comparable with and in step with each other. We have proposed draft legislation for a comprehensive new training program and although this legislation went up to the Hill last session it will probably not be acted upon until next session. The passage of this legislation will go a long way toward meeting Secretary Benson's objectives. The President commented that because we sent so many employees to school during the War some had said that we could therefore lower our entrance standards. The President said he was very much in favor of helping a person to advance himself but did not wish to lower entrance standards on the theory that we would take poor workers and make good ones out of them later. Secretary Folsom said in his opinion the greatest handicap in our career management programs is the very low ceiling on top salaries -- fourteen thousand dollars. Of course men and women don't come into Government just to make money but this is a considerable deterrent. The President suggested that perhaps he should couple his statement about careers in Government with a statement about lifting this salary ceiling and mentioned the other benefits such as health insurance, et cetera. Mr. Folsom reminded the Cabinet that industry has all these benefits now too.

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Secretary Mitchell pointed to the great inconsistencies between the promises held out to college graduates and the fact that they as new employees are then more susceptible to RIFs. He pointed out that he had twenty-two such young men which, in order to help protect them, he had kept on the payroll of the office of the Secretary but had assigned them to different bureaus within his Department. Mr. Young said that the statistics he knew were 343 new JMA's taken in in the last three years, but only nine had been affected by RIFs, six whose functions had been abolished.

Bradley H. Patterson Jr.

Bradley Patterson, Jr.
Assistant to the Cabinet Secretary

XXV
ARCHIVAL BOND
25% COTTON

THE WHITE HOUSE
WASHINGTON

August 8, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Tentative Agenda for the August 12 Cabinet Meeting

Item 1: U. S. Policy With Respect to CCC-Owned Cotton
(The Secretary of Agriculture)

As you requested, this matter heads the agenda. Pursuant to your instructions, the Secretary of Agriculture, in consultation with the Secretaries of State, Treasury and Commerce (and Dr. Hauge), is now drawing up, for consideration on Friday, (a) a policy statement for the current cotton marketing year which recommends a specific course of action for the Government, and (b) a draft press release which is to be persuasive at home and abroad.

TIME SET: 20 minutes

Item 2: Report on Investigations (The Attorney General)

(Postponed from last Friday's agenda)

Following up on the July 29 Cabinet Meeting, I am pleased to report that by the subsequent Tuesday morning all the Departments had complied with your request for designees to work with Justice on the investigations problem; last Thursday the Attorney General held the initial meeting of this group of officials.

Because of the keen interest of the Cabinet in this situation, the Attorney General is prepared to tell you and his Cabinet colleagues what has been done since this assignment was made and to give the Cabinet a brief estimate of the investigations which can be anticipated between now and January.

TIME SET: 10 minutes

Item 3: Rental of Limousines for Government Officials (Director, Bureau of the Budget)

(Postponed from last Friday's agenda)

With the increasing emphasis upon ethics in government, the Director of the Budget feels that this matter, unless cured, will subject the Administration to considerable criticism. Mr. Hughes' recommendation is that rental arrangements for limousines be confined only to secretaries of Executive departments.

TIME SET: 5 minutes

Item 4: Administration Policy With Reference to the Immigration and Nationality Act (The Secretary of State, The Attorney General)

(Postponed from last Friday's agenda)

This item will include (a) the question of the desirability of formulating promptly a firm Administration position, and (b) allocation of responsibility in the Executive Branch.

The Secretary of State does not want to go into substance, but to know how to meet requests from Senatorial committees for appearances on this subject. The Attorney General feels that this is a proper item, and will speak to it when it is brought up.

TIME SET: 15 minutes

Item 5: Economic Goals and Policies (Dr. Arthur Burns)

As an economic wind-up for this year's Cabinet sessions, Dr. Burns will outline the Council's thinking on what this Administration should aim for in this area for 1956 and how we should go about attaining it. His remarks are expected to lead to some discussion.

TIME SET: 20 minutes

Item 6: Introduction of Young Blood into Government --
College Training Program (Chairman, Civil Service Commission)

Philip Young has developed a plan to bring young college people into the Government and has set up a training program to stimulate them to play a prominent role in government, and to encourage them to become permanent Federal employees. It is an appealing project and one that he feels might be used to promote the interest of young people in the Administration and what it is doing for them.

TIME SET: 15 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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COPY NUMBER: 047

CP-34

CABINET PAPER—PRIVILEGED

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August 10, 1955

THE WHITE HOUSE

Washington

THE CABINET

U.S. Policy With Respect to CCC-Owned Cotton

For consideration by the Cabinet, attached is a paper prepared by the Secretary of Agriculture after consultation with the Under Secretary of State, the Acting Secretary of the Treasury and with the Secretary of Commerce.

This paper, pursuant to Cabinet agreement, (RA - 29, Item 2) is in two parts:

1. A policy statement -- The Cotton Problem and First Steps Toward Solution;
2. A suggested press release -- USDA to Continue Basic Cotton Export Policy; CCC May Sell Some Lower Quality Stocks.

It is requested that special precautions be taken to safeguard the security and the privileged nature of this document.

DECLASSIFIED
Authority Dept of Agriculture ltr
Date 2/2/76
By RWN/DJH, NARS Date 3/4/76

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

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The Cotton Problem and First Steps Toward Solution

(Policy Statement, Page 1)

The United States faces a serious situation with cotton. The problem is more difficult because cotton is a world crop, produced and used in many countries. The policies and programs of a major producing country inevitably affect the rest of the cotton world.

It has been apparent for some time, however, that something would have to be done to reverse recent trends and move toward ultimate solution of the basic problems. Failure to do so would simply build up more trouble for the future -- not only in the United States but also throughout the rest of the free world.

The Administration has been concerned with the cotton situation for two and a half years, and it has done everything it could to move cotton under existing programs. This includes authorizations to ship substantial quantities under the provisions of the Agricultural Trade Development and Assistance Act of 1954, the operations of the International Cooperation Administration, and other special programs.

Congress has shown an increasing awareness of the growing cotton problem, especially during recent months. Several bills which would permit greater flexibility in pricing and more marketing opportunities were introduced, and some were passed by the Senate before adjournment of the first session of the 84th Congress.

The heart of the cotton problem is centered around inflexible provisions governing both price support and sales policies. They have resulted in a steady loss of markets, mounting carryover stocks of United States cotton, mounting surplus holdings in government storage, and serious loss of acreage by cotton producers.

The present cotton program, as carried out under the provisions of controlling legislation, has set price supports on upland cotton at 90 percent of parity, the maximum of the flexible range -- and without much chance of material downward adjustment under the present formula. The levels at which government stocks of cotton can be sold domestically for unrestricted use are also set rigidly by legislative provisions. In general, these minimum levels are at 105 percent of the current price support level plus reasonable carrying charges. And since the late 1940's, all export sales prices have been tied to these same minimums. United States cotton has not been competitive in world markets. In effect, it has been only a "residual supplier".

Pending action by Congress to adjust basic legislative provisions, and pave the way for better balance in production and marketing, the Administration has been giving very careful consideration to what might be done under present authorizations. The objective has been to find ways of at least checking the continued build-up of surplus holdings, and to do it within the framework of sound domestic and foreign policy.

The plan to offer limited amounts of lower quality upland cotton stocks from Commodity Credit Corporation inventories, for export sale later in the marketing year on an open competitive bid basis, is in line with this objective. It represents a gradual start toward a needed increase in the movement of surplus stocks.

It is also in line with the President's statement regarding export policy last September. At that time he said, "The United States cannot be satisfied with the position of holding its own supplies off the market and accumulating surpluses while other countries dispose of their entire production. Accordingly, the United States will offer its products at competitive prices. At the same time, the United States will not use its agricultural surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural commodities."

CABINET PAPER—PRIVILEGED

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The Situation

United States cotton production has dropped from 16.4 million bales in 1953 to an estimate of 12.7 million bales in 1955.

In contrast, cotton production in other free world countries has gone up from 13.9 million bales in 1953 to an estimated 16.4 million this year.

While the United States has been cutting production sharply, other countries have been increasing their acreage -- and their share of total world cotton production.

Export developments have followed the same trends. In the 1920's, the United States exported an average of 7.5 million bales annually -- or about 57 percent of world cotton exports. By the late 1930's, this had dropped to 5.3 million bales, or 41 percent of world exports. During the 1945-53 period, U.S. exports averaged 4.2 million bales, or 37 percent of the world total. And now, for the marketing year just ended, U.S. exports are estimated at only about 3.5 million bales, or about 29 percent of world exports.

The United States has been losing its normal and historical position in world cotton production and export. This trend, and the increase in foreign production and marketing, have been accentuated by policies of foreign governments in controlling currency and adjusting export taxes.

On the other hand, the trend has been the other way with regard to carryover stocks -- cotton on hand August 1 each year at the beginning of the new production and marketing season. From 1953 to 1955, U.S. carryover stocks just about doubled -- going up from 5.6 million bales to and estimated 11 million this year. Carryover stocks held by all other free world countries went down in the same period from 9.9 million bales in 1953 to about 8.8 million the first of this month.

The United States is handling all of the increase in the free world carryover, plus a margin to permit other countries to reduce their holdings by more than a million bales. And this development has taken place in spite of mandatory production controls on U.S. cotton during the past two seasons.

Some Results of These Developments

United States cotton acreage has been cut drastically. From 25 million acres in 1953, it has dropped to about 17 million this year -- a cut of around 35 percent.

This cut in acreage -- in potential cotton production -- hurts the cotton farmer. It also hurts the economy of the entire cotton-producing regions, because of lost business and income.

The over-all development has also placed a heavy burden on the Government. The Commodity Credit Corporation has more than 6 million bales of cotton in its present inventory. When it takes over 1954-crop loan stocks later this fall, it will own about 8 million bales -- almost enough cotton to meet our entire domestic needs, at present rates, for an entire year. A related problem is the fact that most of the more than 7 million acres shifted from cotton by the control program have gone over into other crops -- many of them price-supported cash crops which are also in surplus.

It will cost about 80 million dollars a year just to handle and store that CCC stock of cotton.

Another result of cotton program operations is the effect upon general crop production in other countries. With United States export policy holding an umbrella over world cotton markets, the resulting higher prices have caused an expansion in foreign cotton production, as noted in the summary of the general situation. And in some countries shifts to cotton have been made at the expense of needed food crops.

U.S. Export Policy for the 1955-56 Marketing Year

Exports of United States cotton during the 1955-56 marketing year will be handled as follows:

Stocks of cotton from the Commodity Credit Corporation inventory will be offered for sale for export on the same basis as during the past marketing year. Sales will be on a competitive bid basis, but at not less than the higher of the domestic market price or 105 percent of the current support level plus reasonable carrying charges.

After January 1, 1956, when the major part of the 1955 crop has been marketed, not more than a million bales of CCC stocks of lower qualities may be offered for sale on an open competitive bid basis.

In the effort to check the loss of cotton export markets, all programs and operations will be handled on a gradual basis. There will be no "dumping" of United States cotton on world markets. Other countries will be on notice that the United States finds it necessary to make a start toward more competitive marketing of some of its heavy holdings of upland cotton. This can serve as a guide and aid for foreign countries in planning their cotton production. But the limited program planned for the year ahead should not have serious impacts on world cotton marketing.

Careful consideration has been given to the possible effect of more competitive cotton exports on our domestic textile industry, through increased competition if foreign mills can get United States cotton at lower prices. The limited export program for special qualities will not result in a material change in the over-all situation for domestic mills. Foreign textile manufacturers can now get lower priced cotton anywhere in the world. We do not believe that the moderate broadening of United States export plans makes it necessary or advisable to impose special quotas on the import of cotton textiles.

In taking steps to offer some CCC cotton of lower qualities on a more competitive basis, the Department of Agriculture is acting within the authority contained in existing legislation. It is doing so in anticipation that Congress, at its next session, will follow up the action initiated in recent months -- encouraging farmers to produce the grades and staples of cotton most desired by both the domestic and the export markets, and permitting adjustments in price support levels which will put United States cotton in a more competitive position with foreign growths of comparable quality, and with synthetic fibers.

Changes in basic legislative provisions and increased disposition of accumulated surplus stocks are primary needs. The limited export program will be a start in this direction.

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

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USDA to Continue Basic Cotton Export Policy; CCC May Sell Some Lower Quality Stocks

(Press Release, Page 1)

Secretary of Agriculture Ezra Taft Benson announced today that no material change is planned in United States export policy for upland cotton for the 1955-56 marketing year, but that the Commodity Credit Corporation may offer to sell for export during the year not more than a million bales of its lower quality short staple stocks on an open competitive bid basis.

Sales of cotton from the bulk of stocks in CCC inventory will be continued on the same basis as during the past marketing year. This cotton will be offered for sale for export on a competitive bid basis, but at not less than the higher of the domestic market price or 105 percent of the current cotton price support level plus reasonable carrying charges.

Later in the marketing year, not more than a million bales of CCC stocks of lower qualities may be offered for sale for export on an open competitive bid basis. The limited sales of these special qualities might be made at prices somewhat below the minimum price limitations which control most CCC sales. Short staple stocks are in overabundant supply in relation to market requirements, and they are rapidly increasing at present price levels.

However, no such special sales will be made before January 1, 1956, after the major part of 1955 production has been harvested. After that date, sales would be made only at times and in quantities which would avoid material interference with regular marketing programs.

This program is in line with the President's statement of September 9, 1954 which said in part, "The United States cannot be satisfied with the position of holding its own supplies off the market and accumulating surpluses while other countries dispose of their entire production. Accordingly, the United States will offer its products at competitive prices. At the same time, the United States will not use its agricultural surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural commodities."

"Because of the present and past price-support programs, the United States has been slipping from its normal and historical position in world cotton trade", Secretary Benson said in commenting on exports. "Our cotton, especially of some grades and staple lengths, has not been competitive on world markets. Latest estimates are that our total exports for the 1954-55 marketing year, which just closed, totaled only about 3.5 million bales.

"CCC has several million bales of cotton in its inventory. By the time it completes the take-over of 1954-crop loan stocks this fall, the total of the Corporation's holdings will be around 8 million bales.

"This 8 million bale surplus in government storage overhangs the market. The situation is aggravated by the fact that the CCC stocks are out of balance, with a disproportionate amount of short staple cotton in relation to market demand. The fact that we have had no policy except to hold these stocks as a 'residual' supply has been the most disturbing market factor in the cotton world.

"We hope to move some of the lower quality CCC inventory stocks, for which there is no effective market demand at present prices, through a limited export program after the first of the year. We would make such sales on a gradual basis.

CABINET PAPER

For Consideration

~~CONFIDENTIAL~~

"Careful consideration has been given to the possible effect of more competitive cotton exports on our domestic textile industry, through increased competition if foreign mills can get United States cotton at lower prices. The limited export program for special qualities will not result in a material change in the over-all situation for domestic mills. Foreign textile manufacturers can now get lower priced cotton anywhere in the world. We do not believe that the moderate broadening of United States export plans makes it necessary or advisable to impose special quotas on the import of cotton textiles.

"Faced with the growing cotton problem, we have been making every effort to find ways of keeping up our shipments and maintaining a fair share of the world markets, through programs which have been available. The Department of Agriculture has issued authorizations for the shipment of more than 600,000 bales of cotton between August 1 and December 31 this year, under the provisions of Title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). In addition, the International Cooperation Administration (formerly FOA) has authorized shipment by December 31 of over a half million bales under its programs.

"Cotton shipped abroad under these special programs goes largely to those countries and people to whom cotton in anything like adequate amounts is not available otherwise. World per capita consumption in 1953 was only a little over 6 pounds, as compared with almost 28 pounds in the United States. In some regions, the amount of cotton available has been even less than the '6 pound per capita' world average. We will continue to implement these programs effectively.

"These special programs, however, are temporary measures to meet emergency needs. They are not a substitute for dollar sales. Getting back to our normal share of commercial exports in world cotton trade is basic in long-term solutions. The limited program to move some lower qualities of CCC stocks will be a start in that direction. This action will not be taken as permanent policy, but rather as an interim step until price support levels can be adjusted so that United States cotton is in a more competitive position.

"We are announcing our cotton export policy in anticipation that Congress, at its next session, will take action to encourage farmers to produce the grades and staples of cotton most desired by both the domestic and export markets -- and to permit adjustments in price-support levels which will put our cotton in a more competitive position with synthetic fibers and with foreign growths of comparable quality.

"Congress has been giving very close attention to the cotton problem. During recent months several bills were introduced which would permit greater flexibility in pricing and provide wider marketing opportunities. Some of these bills were passed by the Senate before adjournment of the First session of the 84th Congress. Plans to broaden our export program are in line with Congressional thinking and will lend support for action by Congress at the next session".

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CP - 34/1

August 16, 1955

The White House

Washington

THE CABINET

U.S. Policy With Respect to CCC-Owned Cotton

The attached approved paper is circulated for action by the Department of Agriculture and for the information of the Cabinet Departments concerned.

The paper itself is in the form of a press release, issued by the Department of Agriculture. This paper is in two parts: a two-page release and a three-page background statement.

The two-page release was revised as requested at the Cabinet Meeting of August 12 and released by the Department of Agriculture at noon on Saturday August 13, 1955 (RA - 30, Items 1-b and 1-c).

The three-page background statement is actually the Policy Statement of CP - 34 which was approved by the President at Cabinet on August 12 (RA - 30, Item 1-a). This statement was simultaneously released, without change, by Agriculture on August 13.

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
Authority Dept of Agriculture ltr
Date 2/20/74
By RWM/MH, NARS Date 3/4/74

CABINET PAPER

For Action

UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, August 12, 1955

Release at 12 o'clock Noon EDT, Saturday, August 13

USDA to Continue Basic Cotton Export Policy; CCC May Sell Some Lower Quality Stocks:

Secretary of Agriculture Ezra Taft Benson announced today that no material change is planned in United States export policy for upland cotton for the 1955-56 marketing year, but that the Commodity Credit Corporation may offer to sell for export during the year on a gradual basis not more than a million bales of its lower quality short staple stocks on an open competitive bid basis. In making this announcement, the Secretary acted under authority vested in him under existing legislation.

Sales of cotton from the bulk of stocks in CCC inventory will be continued on the same basis as during the past marketing year. This cotton will be offered for sale for export on a competitive bid basis, but at not less than the higher of the domestic market price or 105 percent of the current cotton price support level plus reasonable carrying charges.

Later in the marketing year, not more than a million bales of CCC stocks of lower qualities may be offered for sale for export on an open competitive bid basis. The limited sales of these special qualities might be made at prices somewhat below the minimum price limitations which control most CCC sales. Short staple stocks are in overabundant supply in relation to market requirements, and they are rapidly increasing at present price levels.

However, no such special sales will be made before January 1, 1956, after the major part of 1955 production has been harvested. After that date, sales would be made only at times and in quantities which would avoid material interference with regular marketing programs.

This program is in line with the President's statement of September 9, 1954 which said in part, "The United States cannot be satisfied with the position of holding its own supplies off the market and accumulating surpluses while other countries dispose of their entire production. Accordingly, the United States will offer its products at competitive prices. At the same time, the United States will not use its agricultural surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural commodities."

Commenting on the export announcement, Secretary Benson said, "Because of the present and past price-support programs, the United States has been slipping from its normal and historical position in world cotton trade. Our cotton, especially of some grades and staple lengths, has not been competitive on world markets. Latest estimates are that our total exports for the 1954-55 marketing year, which just closed, totaled only about 3.5 million bales as compared with a much larger volume in past years.

"CCC has several million bales of cotton in its inventory. By the time it completes the take-over of 1954-crop loan stocks this fall, the total of the Corporation's holdings will be around 8 million bales.

"This 8 million bale surplus in government storage overhangs the market. The situation is aggravated by the fact that the CCC stocks are out of balance, with a disproportionate amount of short staple cotton in relation to market demand. The fact that there has been no policy since the late 1940's except to hold these stocks as a 'residual' supply has been the most disturbing market factor in the cotton world.

"We hope to move some of the lower quality CCC inventory stocks, for which there is no effective market demand at present prices, through a limited export program after the first of the year. We would make such sales on a gradual basis.

more

"Careful consideration has been given to the possible effect of more competitive cotton exports on our domestic textile industry, through increased competition if foreign mills can get United States cotton at lower prices. The limited export program for special qualities will not result in a material change in the over-all situation for domestic mills. Foreign textile manufacturers can now get lower priced cotton anywhere in the world. We do not believe that the moderate broadening of United States export plans makes it necessary or advisable to impose special quotas on the import of cotton textiles.

"Faced with the growing cotton problem, we have been making every effort to find ways of keeping up our shipments and maintaining a fair share of world markets, through programs which have been available. The Department of Agriculture has issued authorizations for the shipment of more than 600,000 bales of cotton between August 1 and December 31 this year, under the provisions of Title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). In addition, the International Cooperation Administration (formerly FOA) has authorized shipment by December 31 of over a half million bales under its programs.

"Cotton shipped abroad under these special programs goes largely to those countries and people to whom cotton in anything like adequate amounts is not available otherwise. World per capita consumption in 1953 was only a little over 6 pounds, as compared with almost 28 pounds in the United States. In some regions, the amount of cotton available has been even less than the '6 pound per capita' world average. We will continue to implement these programs effectively.

"These special programs, however, are temporary measures to meet emergency needs. They are not a substitute for dollar sales. Getting back to our normal share of commercial exports in world cotton trade is basic in long-term solutions. The limited program to move some lower qualities of CCC stocks will be a start in that direction.

"The action will not be taken as permanent policy, but rather as an interim step until price support levels can be adjusted so that United States cotton is in a more competitive position.

"We are announcing our cotton export policy in anticipation that Congress, at its next session, will take action to encourage farmers to produce the grades and staples of cotton most desired by both the domestic and export markets -- and to permit adjustments in price-support levels which will put our cotton in a more competitive position with synthetic fibers and with foreign growths of comparable quality.

"Congress has been giving very close attention to the cotton problem. During recent months several bills were introduced which would permit greater flexibility in pricing and provide wider marketing opportunities. Some of these bills were passed by the Senate before adjournment of the First session of the 84th Congress. Plans to broaden our export program are in line with Congressional thinking and will lend support for action by Congress at the next session".

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UNITED STATES DEPARTMENT OF AGRICULTURE

Background Statement Washington, August 12, 1955
For Release at 12 o'clock noon, Saturday August 13

THE COTTON PROBLEM AND FIRST STEPS TOWARD SOLUTION

The United States faces a serious situation with cotton. The problem is more difficult because cotton is a world crop, produced and used in many countries. The policies and programs of a major producing country inevitably affect the rest of the cotton world.

It has been apparent for some time, however, that something would have to be done to reverse recent trends and move toward ultimate solution of the basic problems. Failure to do so would simply build up more trouble for the future -- not only in the United States but also throughout the rest of the free world.

The Administration has been concerned with the cotton situation for two and half years, and it has done everything it could to move cotton under existing programs. This includes authorizations to ship substantial quantities under the provisions of the Agricultural Trade Development and Assistance Act of 1954, the operations of the International Cooperation Administration, and other special programs.

Congress has shown an increasing awareness of the growing cotton problem, especially during recent months. Several bills which would permit greater flexibility in pricing and more marketing opportunities were introduced, and some were passed by the Senate before adjournment of the first session of the 84th Congress.

The heart of the cotton problem is centered around inflexible provisions governing both price support and sales policies. They have resulted in a steady loss of markets, mounting carryover stocks of United States cotton, mounting surplus holdings in government storage, and serious loss of acreage by cotton producers.

The present cotton program, as carried out under the provisions of controlling legislation, has set price supports on upland cotton at 90 percent of parity, the maximum of the flexible range -- and without much chance of material downward adjustment under the present formula. The levels at which government stocks of cotton can be sold domestically for unrestricted use are also set rigidly by legislative provisions. In general, these minimum levels are at 105 percent of the current price support level plus reasonable carrying charges. And since the late 1940's, all export sales prices have been tied to these same minimums. United States cotton has not been competitive in world markets. In effect, it has been only a "residual supplier".

Pending action by Congress to adjust basic legislative provisions, and pave the way for better balance in production and marketing, the Administration has been giving very careful consideration to what might be done under present authorizations. The objective has been to find ways of at least checking the continued build-up of surplus holdings, and to do it within the framework of sound domestic and foreign policy.

The plan to offer limited amounts of lower quality upland cotton stocks from Commodity Credit Corporation inventories, for export sale later in the marketing year on an open competitive bid basis, is in line with this objective. It represents a gradual start toward a needed increase in the movement of surplus stocks.

It is also in line with the President's statement regarding export policy last September. At that time, he said, "The United States cannot be satisfied with the position of holding its own supplies off the market and accumulating surpluses while other countries dispose of their entire production. Accordingly, the United States will offer its products at competitive prices. At the same time, the United States will not use its agricultural surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural commodities."

The Situation

United States cotton production has dropped from 16.4 million bales in 1953 to an estimate of 12.7 million bales in 1955.

In contrast, cotton production in other free world countries has gone up from 13.9 million bales in 1953 to an estimated 16.4 million this year.

While the United States has been cutting production sharply, other countries have been increasing their acreage -- and their share of total world cotton production.

Export developments have followed the same trends. In the 1920's, the United States exported an average of 7.5 million bales annually -- or about 57 percent of world cotton exports. By the late 1930's, this had dropped to 5.3 million bales, or 41 percent of world exports. During the 1945-53 period, U. S. exports averaged 4.2 million bales, or 37 percent of the world total. And now, for the marketing year just ended, U. S. exports are estimated at only about 3.5 million bales, or about 29 percent of world exports.

The United States has been losing its normal and historical position in world cotton production and export. This trend, and the increase in foreign production and marketing, have been accentuated by policies of foreign governments in controlling currency and adjusting export taxes.

On the other hand, the trend has been the other way with regard to carryover stocks -- cotton on hand August 1 each year at the beginning of the new production and marketing season. From 1953 to 1955, U. S. carryover stocks just about doubled -- going up from 5.6 million bales to an estimated 11 million this year. Carryover stocks held by all other free world countries went down in the same period from 9.9 million bales in 1953 to about 8.8 million the first of this month.

The United States is handling all of the increase in the free world carryover, plus a margin to permit other countries to reduce their holdings by more than a million bales. And this development has taken place in spite of mandatory production controls on U. S. cotton during the past two seasons.

Some Results of These Developments

United States cotton acreage has been cut drastically. From 25 million acres in 1953, it has dropped to about 17 million this year -- a cut of around 35 percent.

This cut in acreage -- in potential cotton production -- hurts the cotton farmer. It also hurts the economy of the entire cotton-producing regions, because of lost business and income.

The over-all development has also placed a heavy burden on the Government. The Commodity Credit Corporation has more than 6 million bales of cotton in its present inventory. When it takes over 1954-crop loan stocks later this fall, it will own about 8 million bales -- almost enough cotton to meet our entire domestic needs, at present rates, for an entire year. A related problem is the fact that most of the more than 7 million acres shifted from cotton by the control program have gone over into other crops -- many of them price-supported cash crops which are also in surplus.

It will cost about 80 million dollars a year just to handle and store that CCC stock of cotton.

Another result of cotton program operations is the effect upon general crop production in other countries. With United States export policy holding an umbrella over world cotton markets, the resulting higher prices have caused an expansion in foreign cotton production, as noted in the summary of the general situation. And in some countries shifts to cotton have been made at the expense of needed food crops.

U. S. Export Policy for the 1955-56 Marketing Year

Exports of United States cotton during the 1955-56 marketing year will be handled as follows:

Stocks of cotton from the Commodity Credit Corporation inventory will be offered for sale for export on the same basis as during the past marketing year. Sales will be on a competitive bid basis, but at not less than the higher of the domestic market price or 105 percent of the current support level plus reasonable carrying charges.

After January 1, 1956, when the major part of the 1955 crop has been marketed, not more than a million bales of CCC stocks of lower qualities may be offered for sale on an open competitive bid basis.

In the effort to check the loss of cotton export markets, all programs and operations will be handled on a gradual basis. There will be no "dumping" of United States cotton on world markets. Other countries will be on notice that the United States finds it necessary to make a start toward more competitive marketing of some of its heavy holdings of upland cotton. This can serve as a guide and aid for foreign countries in planning their cotton production. But the limited program planned for the year ahead should not have serious impacts on world cotton marketing.

Careful consideration has been given to the possible effect of more competitive cotton exports on our domestic textile industry, through increased competition if foreign mills can get United States cotton at lower prices. The limited export program for special qualities will not result in a material change in the over-all situation for domestic mills. Foreign textile manufacturers can now get lower priced cotton anywhere in the world. We do not believe that the moderate broadening of United States export plans makes it necessary or advisable to impose special quotas on the import of cotton textiles.

In taking steps to offer some CCC cotton of lower qualities on a more competitive basis, the Department of Agriculture is acting within the authority contained in existing legislation. It is doing so in anticipation that Congress, at its next session, will follow up the action initiated in recent months -- encouraging farmers to produce the grades and staples of cotton most desired by both the domestic and the export markets, and permitting adjustments in price support levels which will put United States cotton in a more competitive position with foreign growths of comparable quality, and with synthetic fibers.

Changes in basic legislative provisions and increased disposition of accumulated surplus stocks are primary needs. The limited export program will be a start in this direction.

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CABINET PAPER—PRIVILEGED
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CP - 33

August 2, 1955

The White House

Washington

THE CABINET

Rental of Limousines for Government Officials

For consideration by the Cabinet, attached is a brief paper prepared by the Bureau of the Budget.

This paper describes the situation with respect to the purchase or rental of sedans or limousines for government officials, and recommends a policy with respect to the rental of limousines.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

The White House

Washington

August 2, 1955

THE CABINET

Rental of Limousines for Government Officials

Problem: Increasing numbers of limousines are being rented from manufacturers for use by Government officials. To a considerable extent, these arrangements have taken the place of outright purchases. There is a question as to whether this practice should continue in view of statutes intended to provide congressional control over the purchase and use of such vehicles.

Discussion: Appropriation acts specify the number of passenger vehicles which each executive agency may purchase either for additions to existing fleets or for replacement of worn out vehicles. They also specify the highest price which may be paid for such vehicles. In this fiscal year, the ceiling is $1,350 for sedans. This means that each limousine requires specific authorization before purchase. The Congress has generally been conservative in providing such authority except for the heads of executive departments and certain diplomatic officials listed in 5 U. S. C. 78 as exempt from the usual controls over the use of Government vehicles.

For many years, vehicles for the use of the President have been furnished by manufacturers at nominal rental rates which probably involve the absorption of losses by the manufacturers. These arrangements have gradually been extended to include the Secretaries of most executive departments. Recently, motor vehicle manufacturers have been asked to furnish limousines for officials who are not secretaries of executive departments, and who are not listed as exempted under 5 U. S. C. 78.

The Congress does not have an opportunity to approve or disapprove limousines acquired under these rental arrangements. There has been no public discussion of the rental of limousines but there has been strong and frequent criticism for many years concerning the use of limousines by Government officials. Recently, one Congressman at least (Gross of Iowa) has requested a complete accounting of all chauffeur driven vehicles.

When limousines have been authorized by law as for secretaries of executive departments, rental arrangements under terms clearly favorable to the Government would seem unobjectionable. However, rental of limousines for other officials not included among those exempted in 5 U. S. C. 78 and for which no specific authority to acquire limousines has been granted may be open to question.

Recommendations: It is recommended that

Executive departments and agencies enter into no new rental contracts for limousines.

Existing contracts for rental of limousines for secretaries of executive departments be continued, if acceptable to manufacturers.

Existing arrangements to rent limousines for officials other than secretaries of executive departments be discontinued.

CABINET PAPER

For Consideration

Feb. 13, 1959

My dear Senator Douglas:

This is in response to your letter of January 27, 1959 requesting information with respect to the assignment of limousines or comparable vehicles in the Washington, D. C. area.

Attached are two tabulations, one of which summarizes the requested information by agencies of the executive branch, the other includes the same data except on the basis of individual vehicles with more specific detail regarding assignments.

In order to avoid any delay in making this information available the agencies were requested to furnish their respective data by telephone rather than on the basis of a formal report through agency channels.

Sincerely yours,

Director

Honorable Paul H. Douglas
United States Senate
Washington 25, D. C.

cc: Courtesy
CURRENT RECORDS
Director's Chron
Mr. Mullins-Mr. Finan
Mr. Holden
Control

Attachments

OMO/JBHolden/ila 2/10/59

Tab A

SUMMARY SHEET
MOUSINES AND HEAVY SEDANS
IN CUSTODY OF FEDERAL AGENCIES (EXECUTIVE BRANCH) IN WASHINGTON, D. C. AREA

partment or Agency	Type of Vehicle L 1/	Type of Vehicle HS 2/	Agency Total	Acquired by Purchase	Acquired by Rental	Acquired by Other 3/	Assigned to Office of Agency Head	Assigned to Other Officials 4/
Agriculture	1	-	1	-	1	-	1	-
Commerce	1	1	2	-	2	-	1	1
Defense								
Office of Secretary	5	5	10	7	3	-	1	9
Air Force	2	6	8	5	3	-	1	7
Army	3	6	9	7	2	-	1	8
Navy	3	4	7	5	2	-	1	6
Marine Corps	1	2	3	-	3	-	1	2
Health, Education and Welfare	1	2	3	-	1	2	1	2
St. Elizabeth's Hospital	1	-	1	1	-	-	-	1
Interior	1	2	3	2	1	-	1	2
Justice	2	1	3	1	2	-	1	2
Labor	1	3	4	2	1	1	1	3
Post Office	2	1	3	1	2	-	1	2
State	3	-	3	-	3	-	1	2
Treasury	1	9	10	-	1	9	1	9
Atomic Energy Commission	-	5	5	3	1	1	1	4
Bureau of the Budget 5/	-	1	1	-	-	1	1	-
Bureau of Census 5/	-	1	1	-	-	1	1	-
Central Intelligence Agency	1	-	1	1	-	-	1	-
Civil Service Commission	-	1	1	-	-	1	1	-
Export-Import Bank	-	1	1	1	-	-	1	-
Fed. Mediation & Con. Service	-	1	1	1	-	-	1	-
General Services Administration	-	2	2	-	-	2	1	1
International Cooperation Admin.	1	-	1	-	1	-	1	-
National Gallery of Art	-	1	1	-	-	1	1	-
Off. of Civil & Defense Mobil. 5/	-	1	1	-	-	1	1	-
Selective Service System	-	1	1	1	-	-	1	-
U. S. Information Agency	-	2	2	-	2	-	1	1
U. S. Soldiers Home	-	1	1	1	-	-	1	-
Veterans Administration	-	1	1	1	-	-	1	-
White House	6	2	8	-	8	-	8	-
Totals	36	63	99	40	39	20	37	62

1/ Limousine - 7-passenger sedan, generally with glass partition separating passengers and driver.

2/ Heavy Sedan - Other than limousines - Cadillac, Lincoln, Imperial (all models); also Chrysler (New Yorker), Buick (Roadmaster, Oldsmobile (98 series) and Packard (except Clipper).

3/ Generally acquired by seizure or forfeiture originally.

4/ Generally Under Secretaries, Deputies, Assistants, or offices of such officials.

5/ Rented from the General Services Administration

DETAIL SHEET
LIMOUSINES AND HEAVY SEDANS
IN CUSTODY OF FEDERAL AGENCIES (EXECUTIVE BRANCH) IN WASHINGTON, D. C. AREA

Department or Agency	Make	Year	Type of Vehicle 1/	Total	Assigned to	Acquired by
Agriculture	Cadillac	1958	L	1	Secretary	Rental
Commerce	Cadillac	1958	L	2	Office of Secretary	Rental
	Buick	1958	H.S		Fed. Highway Adm.	Rental
Defense				37		
Office of Secretary of Defense	Cadillac	1959	L		Secretary	Rental
" " "	"	1959	L		Deputy Secretary	"
" " "	"	1959	L		Chairman, J.C.S.	"
" " "	"	1951	L		Rep. NATO Group	Purchase
" " "	Chrysler	1950	L		Office of Sec. Def.	"
" " "	Imperial	1958	H.S.		Asst. Secy (Comp.)	"
" " "	"	1958	H.S.		Asst. Secy (Health)	"
" " "	"	1958	H. S.		Asst. Secy (Public Aff.)	"
" " "	"	1958	H. S.		Asst. Secy (P & I)	"
" " "	"	1958	H. S.		Asst. Secy (S & L)	"
Army	Cadillac	1959	L		Secretary	Rental
"	"	1958	L		Chief of Staff	"
"	Chrysler	1950	L		MDW Motor Pool	Purchase
"	Imperial	1958	H. S.		Under Secretary	"
"	"	1958	H. S.		Vice Chief of Staff	"
"	"	1958	H. S.		Asst. Secy (MP&RF)	"
"	"	1958	H. S.		Asst. Secy (FM)	"
"	"	1958	H. S.		Asst. Secy (Log.)	"
"	"	1958	H. S.		Dir. Res. & Eng.	"
r Force	Cadillac	1959	L		Secretary	Rental
" "	Cadillac	1959	L		Chief of Staff	"
" "	Imperial	1958	H. S.		Under Secretary	"
" "	"	1958	H. S.		Vice Chief of Staff	Purchase
" "	"	1958	H. S.		Asst. Secy (Fiscal)	"
" "	"	1958	H. S.		Asst. Secy (Materiel)	"
" "	"	1958	H. S.		Asst. Secy (R&D)	"
" "	"	1958	H. S.		Commander (AF-R&D Com)	"

DETAIL SHEET
LIMOUSINES AND HEAVY SEDANS
IN CUSTODY OF FEDERAL AGENCIES (EXECUTIVE BRANCH) IN WASHINGTON, D. C. AREA

Department or Agency	Make	Year	Type of Vehicle 1/	Total	Assigned to	Acquired by
Defense (Contd)						
Navy	Cadillac	1959	L		Secretary	Rental
"	Chrysler	1955	L		Chief, Naval Oper.	"
"	"	1955	L		Vice Ch. N. O.	Purchase
"	Imperial	1958	H. S.		Under Secretary	"
"	"	1958	H. S.		Asst. Secy (Mat.)	"
"	"	1958	H. S.		Asst. Secy (Air)	"
"	"	1958	H. S.		Asst. Secy (Pers.)	"
Marine Corps	Cadillac	1959	L		Commandant	Rental
" "	Chrysler	1958	H. S.		Asst. Comm.	"
" "	"	1958	H. S.		Chief of Staff	"
Health, Education and Welfare	Cadillac	1958	L	4	Secretary	Rental
" " "	Cadillac	1955	H. S.		Sec. Staff	Other
" " "	Chrysler	1954	H. S.		Sec. Staff	Other
St. Elizabeth's Hospital	Chrysler	1947	L		Patients	Purchase
Interior	Cadillac	1958	L	3	Office of Secy.	Rental
"	Chrysler	1958	H. S.		Office of Secy.	Purchase
"	Cadillac	1946	H S.		Office of Secy.	Purchase
Justice	Cadillac	1958	L.	3	Attorney General	Rental
"	Lincoln	1958	L		Attorney General's staff	Rental
"	Imperial	1958	H. S.		Attorney General's staff	Purchase
L F	Cadillac	1958	L	4	Secretary	Rental
"	Cadillac	1956	H. S.		Under Secy	Purchase
"	Cadillac	1954	H. S.		Secretary	Other
"	Cadillac	1947	H. S.		Secretary's Office	Purchase
Post Office	Cadillac	1958	L	3	Postmaster General	Rental
" "	Cadillac	1951	L		Postmaster General's Staff	Purchase
" "	Lincoln	1958	H. S.		Postmaster General's Staff	Rental
State Department	Cadillac	1958	L	3	Secretary	Rental
" "	Cadillac	1958	L		Under Secretary	"
" "	Cadillac	1958	L		Under Secy (Econ. Affrs.)	"

DETAIL SHEET
LIMOUSINES AND HEAVY SEDANS
IN CUSTODY OF FEDERAL AGENCIES (EXECUTIVE BRANCH) IN WASHINGTON, D. C. AREA

Department or Agency	Make	Year	Type of Vehicle 1/	Total	Assigned to	Acquired by
Treasury	Imperial	1958	L	10	Secretary	Rental
"	Cadillac	1956	H. S.		Office of Secretary	Other
"	Lincoln	1956	H. S.		" "	"
"	Lincoln	1956	H. S.		" "	"
"	Chrysler	1955	H. S.		" "	"
"	Cadillac	1952	H. S.		Commandant Coast Guard	"
"	Cadillac	1952	H. S.		Asst. Comm. Coast Guard	"
"	Lincoln	1956	H. S.		Commandant's Office	"
"	Cadillac	1953	H. S.		Internal Revenue Service	"
"	Cadillac	1955	H. S.		Internal Revenue Service	"
Atomic Energy Commission	Cadillac	1955	H. S.	5	Commissioner's Use	Other
" " "	Cadillac	1958	H. S.		Chairman	Rental
" " "	Lincoln	1957	H. S.		Commissioner's Use	Purchase
" " "	Lincoln	1957	H. S.		Commissioner's Use	Purchase
" " "	Buick	1959	H. S.		Commissioner's Use	Purchase
Bureau of Census	Cadillac	1951	H. S.	1	Director	Other
Bureau of the Budget	Cadillac	1955	H. S.	1	Director	Other
Central Intelligence Agency	Cadillac	1957	L	1	Director	Purchase
Civil Service Commission	Cadillac	1952	H. S.	1	Chairman	Other
Export-Import Bank	Oldsmobile	1956	H. S.	1	Chairman and Members of Bd.	Purchase
Fed. Mediation and Conciliation Serv.	Lincoln	1957	H. S.	1	Director	Purchase
General Services Administration	Cadillac	1953	H. S.	2	Administrator	Other
" " "	Cadillac	1951	H. S.		Not assigned	Other
International Cooperation Admin.	Chrysler	1956	L	1	Office of Director	Rental
National Gallery of Art	Cadillac	1950	H. S.	1	Director	Other
Office of Civil and Defense Mobilization	Cadillac	1955	H. S.	1	Director	Other

DETAIL SHEET
LIMOUSINES AND HEAVY SEDANS
IN CUSTODY OF FEDERAL AGENCIES (EXECUTIVE BRANCH) IN WASHINGTON, D. C. AREA

Department or Agency	Make	Year	Type of Vehicle 1/	Total	Assigned to	Acquired by
Selective Service System	Lincoln	1957	H. S.	1	Director	Purchase
U. S. Information Agency	Lincoln	1958	H. S.	2	Director	Rental
" " "	Lincoln	1958	H. S.		Deputy Director and others	Rental
U. S. Soldiers' Home	Buick	1956	H. S.	1	Governor	Purchase (Not general funds)
Veterans Administration	Cadillac	1958	H. S.	1	Administrator	Purchase
White House	Cadillac	1959	L	8	President, official Guests, Parade cars	Rental
" "	Cadillac	1959	L			"
" "	Cadillac	1959	L			"
" "	Cadillac	1955	L			"
" "	Chrysler	1955	L			"
" "	Chrysler	1955	L			"
" "	Chrysler	1956	H. S.			"
" "	Lincoln	1958	H. S.			
Total				99		

1/ Limousines (L) Heavy Sedans (H.S.)

COMPARISON OF LIMOUSINES AND HEAVY SEDANS IN CUSTODY OF FEDERAL AGENCIES 1955 AND 1959

Agency	Total Units on Hand 1/		Acquired By					
			Purchase		Rental 2/		Other 3/	
	Sept. 1955	Feb. 1959	1955	1959	1955	1959	1955	1959
Agriculture Department	1	1			1	1		
Commerce Department	1	2			1	2		
Bureau of the Census 4/	-	1						1
Department of Defense								
Office of the Secretary	6	10	3	7	3	3		
Air Force	4	8		5	4	3		
Army	4	9	1	7	3	2		
Marine Corps	-	3				3		
Navy	6	7	4	5	2	2		
Department of Health Education and Welfare	2	3				1	2	2
St. Elizabeth's Hospital	-	1		1				
Interior Department	2	3	1	2	1	1		
Justice Department	5	3	1	1	1	2	3	
Labor Department	2	4	1	2	1	1		1
Post Office Department	3	3	1	1	1	2	1	
State Department	2	3			2	3		
International Cooperation Administration	1	1			1	1		
Treasury Department	15	10			2	1	13	9
Atomic Energy Commission	1	5		3		1	1	1
Bureau of the Budget 4/	-	1						1
Central Intelligency Agency	1	1	1	1				
Civil Service Commission	1	1					1	1
Export-Import Bank	1	1		1			1	
Federal Mediation and Conciliation Service	-	1		1				
General Services Administration	5	2					5	2
National Gallery of Art	1	1					1	1
Office of Civil and Defense Mobilization 4/	3	1	1				2	1
Railroad Retirement Board	1	6/					1	
Selective Service System	1	1		1			1	
U. S. Information Agency	1	2			1	2		

Tab-B

Agency	Total Units on Hand 1/		Acquired By					
			Purchase		Rental 2/		Other 3/	
	Sept. 1955	Feb. 1959	1955	1959	1955	1959	1955	1959
U. S. Soldiers' Home	1	1	1	1				
Veterans Administration	1	1	1	1				
White House	5/	8				8		
	72	99	16	40	24	39	32	20

1/ Limousines and heavy sedans, Limousine is classed as 7-passenger sedan. Heavy sedan -- Cadillac, Lincoln, Imperial (all models); also Chrysler (New Yorker); Buick (Roadmaster); Oldsmobile (98 Series); and Packard (except Clipper).

2/ Rented from commercial sources.

3/ Generally acquired by seizure or forfeiture.

4/ Rented from the General Services Administration.

5/ Information not obtained from White House for 1955 report.

6/ Vehicle in Chicago.

THE WHITE HOUSE
WASHINGTON

September 20, 1955

MEMORANDUM FOR THE RECORD

At the meeting of the Special Assistants for Cabinet Coordination on Friday, September 16, it was agreed that:

With respect to Cabinet action 5(b) - RA-30, each Department would prepare a memorandum for Governor Adams, to be submitted by October 1 (October 7 at the latest), which would show:

(1) The specific cuts which each Department has made in its contemplated spending, and

(2) The percentage of reduction achieved below the allocation figure given in the mid-year budget review.

It was also agreed that whenever it is appropriate, in the discretion of the Cabinet Secretary, a financial appendix shall be prepared for a Cabinet action paper submitted for consideration. It was agreed that this appendix, whenever drawn up, should be in the format used by the National Security Council and circulated at the Special Assistants' meeting on September 16.

Bradley H. Patterson, Jr.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP-35

August 10, 1955

THE WHITE HOUSE

Washington

THE CABINET

Introduction of Young Blood into Government-Manpower Planning for Key Career Jobs

For consideration by the Cabinet, attached is a paper prepared by the Chairman of the Civil Service Commission.

This paper makes specific recommendations concerning the approval by the President and the initiation by the Departments of a long-range manpower planning and recruitment program aimed at college-caliber men and women. These recommendations will be supported, at the coming Cabinet meeting, by a chart presentation by the Chairman of the Civil Service Commission.

The concurrence of the Cabinet and the approval of the President are sought for these recommendations.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

THE CABINET

MANPOWER PLANNING
for
KEY CAREER JOBS

Problem: We must act TODAY to bring in the people who TOMORROW will be the Government's career managers, scientists, and professional leaders. We risk loss of skilled and vigorous management if we fail to act.

Discussion: Competent civilian employees are vital to the support of the Armed Forces, to the carrying out of our international commitments, and to the maintenance of the public welfare.

In the past, whenever we needed men of the middle or higher levels, we freely raided local governments, universities and industries. Now these sources are present and future competitors. And the competition is getting stiffer.

The Civil Service Commission has a basically simple program to meet this complex problem. We propose long-range manpower planning and continuing recruiting of college-caliber candidates. Properly developed, these people will meet many of tomorrow's needs.

The Commission is about to launch an aggressive program to get college-caliber candidates. A new examination--the Federal-Service Entrance Examination--will be issued. It will consolidate many examinations heretofore used and simplify recruiting for a wide variety of beginning jobs. Specialized examinations will be continued for engineering, scientific and other shortage occupations.

Recommendations: That the President issue a statement urging college students and other potential leaders to seek Federal careers.

That heads of agencies support the President's statement:

- in talks to the public
- in articles or other writings
- in their management of agency staffing.

It is further recommended that each agency head establish immediately within his own agency, and personally support, a positive program in which agency management:

1. Plans for college-caliber manpower needs by:
    a. Analyzing tomorrow's need for executives, scientists, and professional employees,
    b. Estimating the recruitment need at entrance levels--allowing for turnover and other losses--to provide the required additional resources,

    c. Deliberately providing for a balanced intake each year of college-caliber people;

2. Works with the Commission in developing and carrying out a recruitment program directed especially to young people of college caliber;
3. Makes timely offers to, and appoints these young people of college caliber.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 35

August 15, 1955

The White House
Washington

THE CABINET

Manpower Planning for Key Career Jobs

The attached approved paper is circulated for the action of the Cabinet Departments under the coordination of the Civil Service Commission.

This paper was approved at the Cabinet Meeting of August 12, 1955 (RA - 30, Item 6).

The Eisenhower Library

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE CABINET

MANPOWER PLANNING

for

KEY CAREER JOBS

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THE WHITE HOUSE
WASHINGTON

March 4, 1957

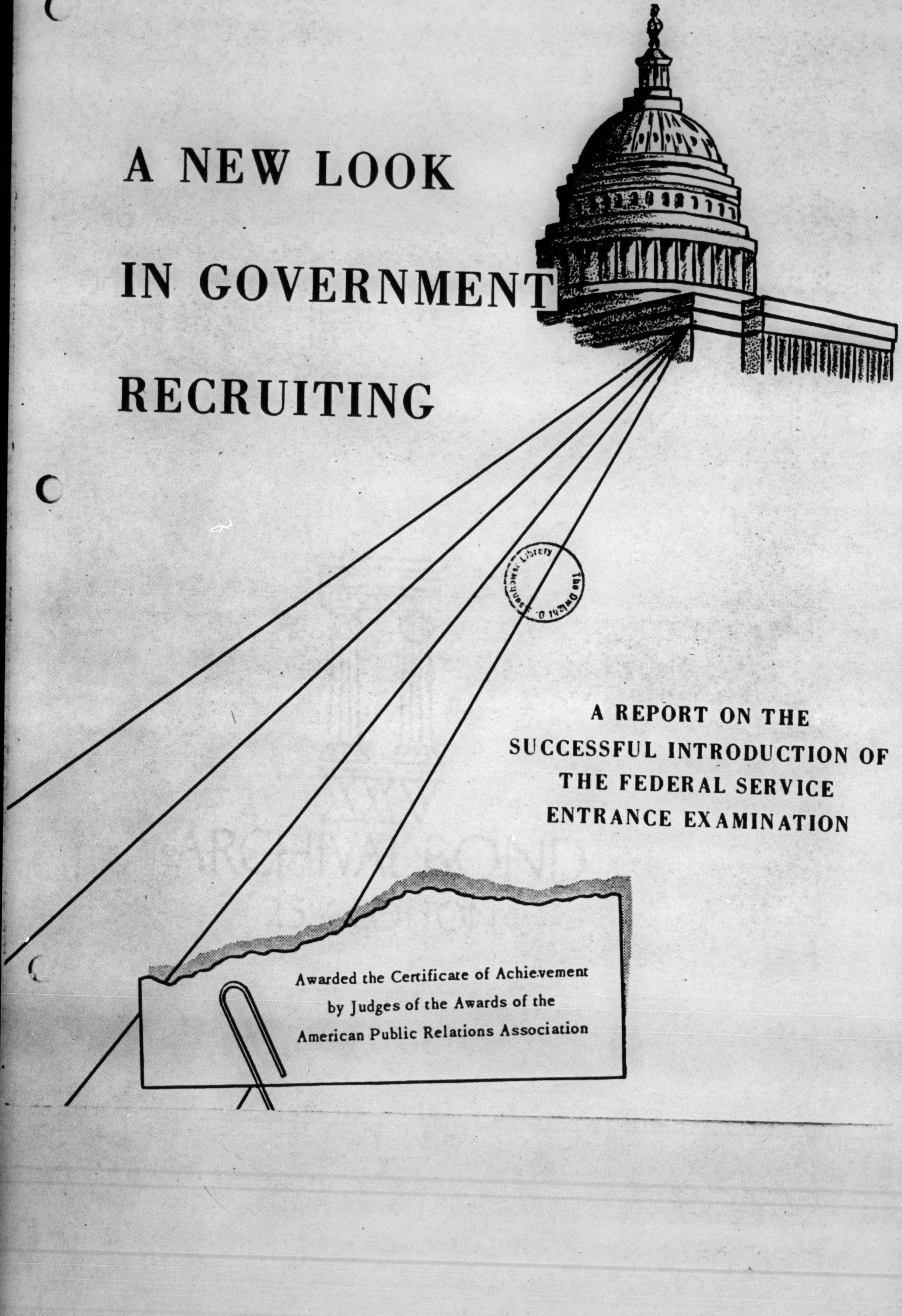
NOTE TO THE SPECIAL ASSISTANTS FOR CABINET COORDINATION

Outgoing Chairman Philip Young has requested that this prize-winning booklet be brought to the attention of each Member of the Cabinet.

This booklet sets forth some of the follow-up actions which have been taken on Item 6 of RA - 30 (August 12, 1955).

Cabinet Secretariat

A NEW LOOK IN GOVERNMENT RECRUITING

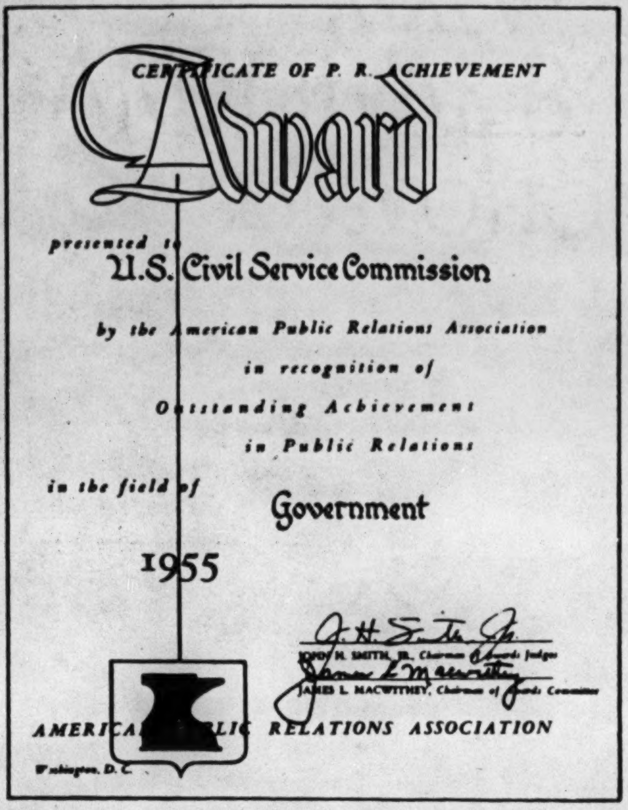


A REPORT ON THE
SUCCESSFUL INTRODUCTION OF
THE FEDERAL SERVICE
ENTRANCE EXAMINATION

Awarded the Certificate of Achievement
by Judges of the Awards of the
American Public Relations Association

a New Look in Government Recruiting

This brochure tells the story of the Federal Government's new recruiting program -- the story of the introduction of the Federal-Service Entrance Examination -- through which thousands of young people are expected to enter the career civil service each year. The brochure has been published at the suggestion of the Silver Anvil Committee of the American Public Relations Association to be made available as an outstanding public relations case history for use by public relations classes in leading colleges and universities. For information regarding copies for such use, please address: American Public Relations Association, Silver Anvil Committee, 1010 Vermont Avenue, NW, Washington 5, D.C. For more information about the recruiting program, please address: Public Information Office, U.S. Civil Service Commission, Washington 25, D. C.



CERTIFICATE OF P. R. ACHIEVEMENT

Award

presented to

U.S. Civil Service Commission

by the American Public Relations Association

in recognition of

Outstanding Achievement

in Public Relations

in the field of Government

1955

J. H. Smith Jr.
JOHN H. SMITH, JR., Chairman of Awards Judges
James L. MacWithey
JAMES L. MACWITHEY, Chairman of Awards Committee

AMERICAN PUBLIC RELATIONS ASSOCIATION

Washington, D.C.

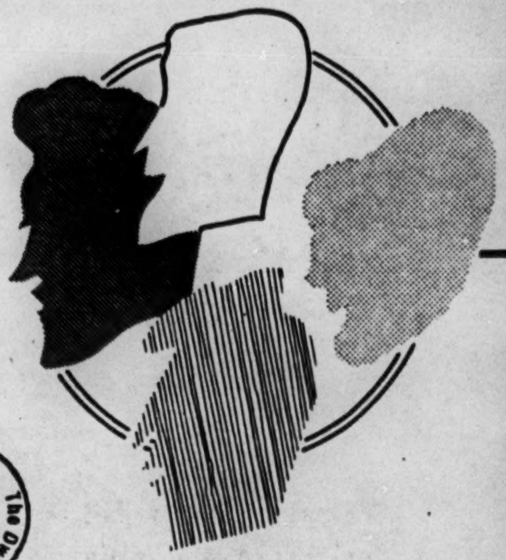
About the Award

The Certificate of Achievement was awarded to the United States Civil Service Commission in the 12th annual American Public Relations Association Awards Competition for conducting one of the outstanding public relations programs in the field of Government during 1955.

The citation read:

Goal, techniques, and results all contributed in the decision of the Committee of Judges to award the Certificate of Achievement in the Government category to the United States Civil Service Commission. To meet the immediate need for adequate personnel in the Government's trainee jobs as well as the right type of talent for the key Government jobs in the future, a well-planned program was aimed at the types of personnel wanted. It has succeeded notably with a great increase in the proportion of college-trained personnel who have taken and passed Civil Service exams and otherwise offered and qualified themselves for appointment. Fringe benefits, low-cost insurance, incentive program, cutting down of red tape in transmittal of information from Government to prospective worker and return, closer relationship with college officials and more attractive material to the college officials for their use, all aided in this hardhitting and notably successful program.

the Objective



To meet present needs in trainee jobs and provide a reservoir of talented people for key Government career positions in the future.

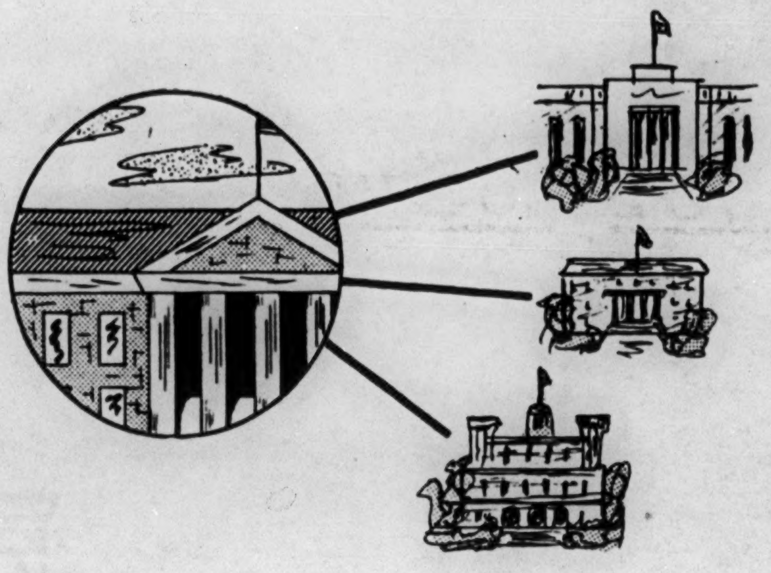
The Federal Government faced a major public relations problem: In recent years, too few promising young people had been attracted to careers in the Federal civil service. The scant flow of fresh blood into the civil-service system at the professional entrance level foreshadowed a future shortage of experienced people needed to become the top career managers, technicians, and professional leaders of tomorrow.

Many factors contributed to this disturbing situation. College enrollments had declined as a result of the low birth rates of the Thirties, and in a boom economy there was increasing competition from industry for each new college crop. A general impression that the Federal work force was retrenching lingered long after major staff reductions had ended, and many influential people felt that civil service had lost its appeal as a career field. Some people believed that adverse publicity on the security program and rumors that political clearance was required for better jobs were discouraging young people from seeking careers in Government. Certainly the lack of understanding of Government and its personnel needs and methods of recruiting was partly responsible. And a major factor, of course, was the Government's inability to offer true career opportunities since the outbreak of hostilities in Korea, when it became necessary to put most hiring on an indefinite basis.

Unless the problem could be solved, the quality and efficiency of government would suffer in the years ahead. The shortage of able people at the entrance level today would become a shortage of supervisors tomorrow, and of top career managers soon afterward. Clearly, something had to be done to attract more of the Nation's outstanding young people to careers in the Federal service.

ARCHIVAL BOND
25% COTTON

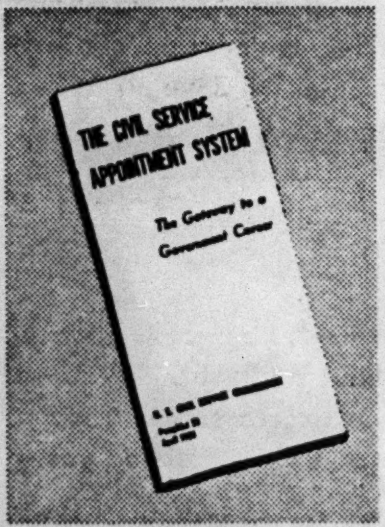
the Operation



Steps to make careers in Government more attractive... Studies to pinpoint recruiting problems... Development of a revolutionary recruiting program... Promotion of the program on a governmentwide basis.

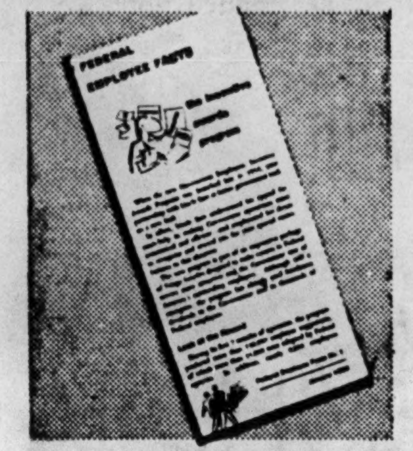
The Civil Service Commission recognized the need to bring more promising young people into the Federal service, but recruiting was only part of a bigger problem. There was a need to make the Federal service more attractive -- to strengthen and improve the civil-service system itself.

First, the career area had to be defined. As a major step in this direction, policy-making and confidential positions were placed in a new schedule of jobs excepted from the competitive civil service to make a clear separation of the career service from the political area.


THE CIVIL SERVICE APPOINTMENT SYSTEM
The Gateway to a Government Career

Too, it was necessary that the Government again offer real career prospects to encourage present employees to remain in Federal service and to attract new people to civil service. This was made possible by the relaxation of legislative restrictions on the making of permanent-type appointments, paving the way for introduction of the career-conditional appointment system early in 1955. Under this plan, the Government could offer true career opportunities for the first time in five years. After serving a conditional period of three years, career-conditional employees would automatically acquire full career standing. Thus, the new system provided a foundation for the development of a strengthened career service.

Meanwhile, other improvements were being made to increase the attractiveness of civil service. The array of fringe benefits for Federal employees was enhanced by the addition of low-cost group life insurance, establishment of a Governmentwide incentive awards program, and liberalization of several other benefits. Additional improvements were made in employee development and training programs as well as in other areas of personnel management. And in mid-1955 cost-of-living pay increases made Federal salaries more nearly comparable to those offered by progressive private employers.



As these gains were being scored, the Commission made a thorough study of Federal recruiting and examining procedures, recruiting practices of progressive private employers, and special problems confronting the Government on the campus. This research revealed a number of obstacles to the recruitment of outstanding college-caliber people --

- Students and faculty members were confused by the multiplicity of civil-service examinations used to recruit college-caliber people.

- Students could not always find appropriate examinations open when they wanted to apply for Federal jobs.

- The competitive examining requirements were neither understood nor appreciated.

- Faculty members were critical of "red tape" and students were reluctant to apply because of time lapses between application, examination, receipt of eligibility rating, and job offers.

- There was a general lack of knowledge of the opportunities offered in Government.

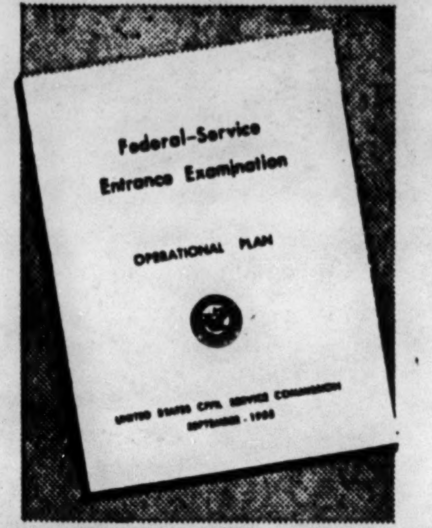
- There was poor liaison between government representatives and influential faculty members and other college officials.

- Recruiting activities were not coordinated.

- Students were swayed by colorful literature and effective recruiting techniques of private employers.

It was obvious that radical departures from past practices were necessary to improve the Government's position in the college recruiting market. The Commission's staff met the challenge, fashioning an imaginative and revolutionary recruitment plan which was to streamline civil-service selection techniques, greatly broaden career opportunities, and increase the attractiveness of careers in Government.

The plan called for a single college-level recruiting device -- the Federal-Service Entrance Examination -- to replace nearly 100 examinations previously used to recruit college-caliber people just starting their careers. It would be used to fill a wide range of administrative, professional, and technical positions at the trainee level throughout the Federal service. The multipurpose examination would be open continuously rather than just a few weeks of the year, so that applications could be filed at any time. Written tests would be given quarterly, or more often if necessary, and rated quickly to permit early job offers by agencies. The examination would be open to any college senior or holder of a bachelor's degree or higher -- regardless of major or field of special interest -- as well as to persons who could qualify on the basis of experience or a combination of education and experience. It would retain the best features of the special examinations which had been used to select management trainees, thus replacing such devices as the Junior Management Assistant Examination.



An important feature of the plan, from the public relations standpoint, was that it could be merchandised. It put Government recruiting on a year-round basis and enabled all recruiters to tell the same basic story -- a story calculated to appeal to the well qualified young people the Government needed to attract. It was a package the recruiter could sell with confidence and pride.

The Civil Service Commission adopted the plan late in 1954. It scheduled the first big push for the fall of 1955, to allow the new appointment system time to become established.

Before unveiling the plan to the general public, the Commission faced the task of gaining acceptance for the new program within the Federal service. This internal public relations effort became Phase I of the promotion plan.

To appreciate the monumental internal public relations job the Commission undertook, you must understand the Commission's role in Federal personnel management. The Commission has primary responsibility for attracting and retaining an effective and loyal work force for the executive branch, but the scores of Federal departments and agencies share this responsibility under decentralized personnel-management procedures. The Commission develops programs, conducts or supervises competitive examinations, issues regulations and instructions, guides and assists agencies, and inspects agency personnel operations. However, the agencies have full authority to conduct their own personnel programs, and to decide when to hire and fire. If the new plan was to succeed, the Commission had to sell the departments and agencies on the concept of manpower budgeting -- planning in advance to provide for a balanced intake of able people at the entrance level for development to handle the challenging problems of tomorrow -- and on the Federal-Service Entrance Examination itself.

The internal selling job was planned as thoroughly as was the general promotion effort in which the agencies were expected to participate. No segment of the internal public was overlooked, from top management down to the field technicians who would be on the firing line as person-to-person recruiters.

Advance general information on the examination plan went out to agency personnel officers and the Commission's own field force. Comments were solicited and response was almost unanimously favorable.

The Chairman of the Commission presented the plan to the Cabinet, stressing the need for top-management support and the importance of manpower budgeting to meet future needs in key career positions. The same message was carried to executive officers of the departments and agencies by the Commission's Executive Director. Using visual aids, representatives of the Commission's central office took the details of the plan to operating and personnel officials of agencies in a series of meetings in Washington.

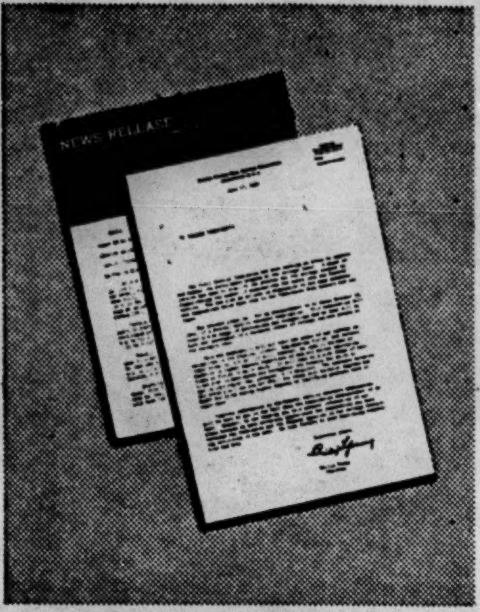
Next a central-office task force visited the Commission's regional offices to conduct illustrated orientation sessions and move the field operation into high gear. The illustrated talks not only provided the Commission's field representatives with details of the plan, but also served to demonstrate how they should conduct orientation sessions for agency field officials. This was a key phase of the internal promotion plan, for success of the project hinged on the Commission's regional offices. They had complete responsibility in their areas for the operation. It was vital that they sell agency field people on the new plan and obtain their cooperation in carrying out the promotion program and participation in the series of recruiting visits to colleges.

Armed with a detailed operational plan, background information, and sets of colored slides, the regional offices carried the story to representatives of agency field establishments and enlisted their cooperation in the program. The orientation and pep sessions were backed up by a departmental circular, widely distributed to management and personnel people throughout the executive branch, spelling out details and objectives of the program.

Agencies were urged to identify the kinds of positions which could be filled through the new examination and to tell the Commission how many jobs they expected to fill during 1956. The Commission emphasized that the agencies should not limit their studies to the kinds of positions traditionally filled through college-level examinations, but that they should use imagination to uncover other positions which could be used as stepping stones in the development of college-caliber people. The Commission pointed out that thousands of jobs in such fields as purchasing, inspection, institutional management, warehousing, claims examining, transportation, and information and publications could be profitably filled with people of college ability and intelligence whose potential for development would counterbalance any lack of specific training or experience ordinarily required in filling such jobs.

Agencies were also called upon to commit their resources in a coordinated promotion and recruiting effort so that a Government representative would visit every campus at least once during the academic year.

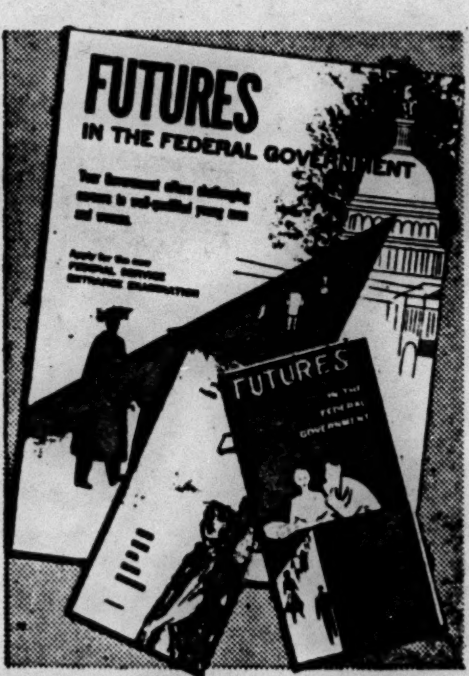
The general promotion effort got under way early in the summer of 1955. Extensive use of major mass media other than key daily newspapers was decided against in favor of concentration on the techniques and special media through which students and faculty members could be most effectively reached. Thus, the use of network television and radio was minimized, while heavy emphasis was placed on effective distribution of recruiting posters and pamphlets, dissemination of information to publications read by students and college officials, direct mail to placement officers and faculty members, and personal contacts by Commission and agency representatives visiting colleges.



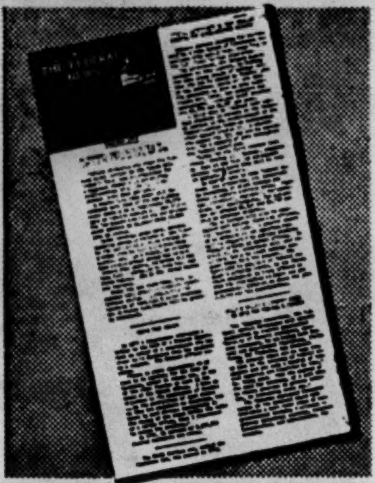
To kick off the campaign, a letter from the Chairman of the Commission was sent to college presidents, placement officers, and department heads, giving them advance information and soliciting their support. This was followed by a general news release announcing that the new examination would be opened in October. The release went to the wire services and leading daily newspapers as well as to daily and weekly papers located in college towns.

Student-directed materials stressed the new, simplified hiring method embodied in the Federal-Service Entrance Examination *and* the variety of challenging career opportunities offered in Government. They emphasized that the one examination replaced many, eliminating the necessity for taking several examinations or for seeking out examinations open in a particular field; that the FSEE was open to all majors; that applications could be filed at any time; that tests were given often; that management internships would be filled through the FSEE; and that passing the examination would bring eligibility for a wide range of professional entrance-level jobs. The promotion material also highlighted the many interesting programs in Government, the satisfactions to be obtained from participation in vital work affecting all Americans, the impressive array of employee benefits available to career civil servants and the Government's continuing need for more young people of promise.

Attractive promotional materials were produced to herald recruiters' visits and to support their on-campus activities. A general informational pamphlet for students -- *After College... What?* -- was revised, and a special pamphlet -- *Futures in the Federal Government* -- was published to spotlight programs and opportunities offered by Federal agencies. An eye-appealing poster for campus bulletin boards emphasized *Futures* and urged students to read the pamphlet, find out about recruiters' visits, and apply for the examination. The printed examination announcement featured the theme and colors used in the *Futures* pamphlet and the poster. Generous supplies of the promotional materials were distributed to college placement offices and other campus reference points.



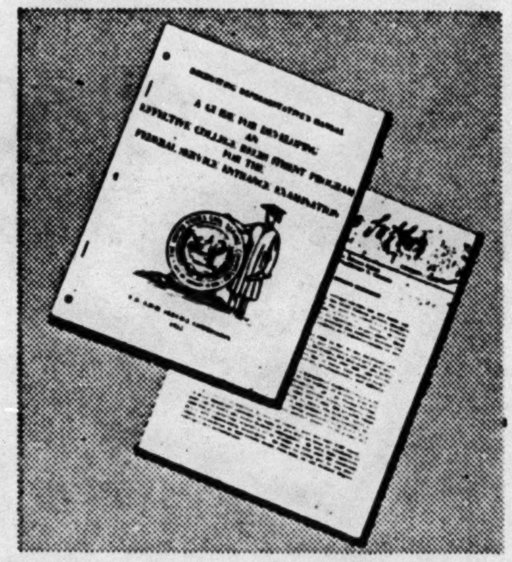
A new clip-sheet service for college newspapers and radio stations was started, and agencies were encouraged to publish special recruiting literature to spotlight their programs and the career opportunities they offered.



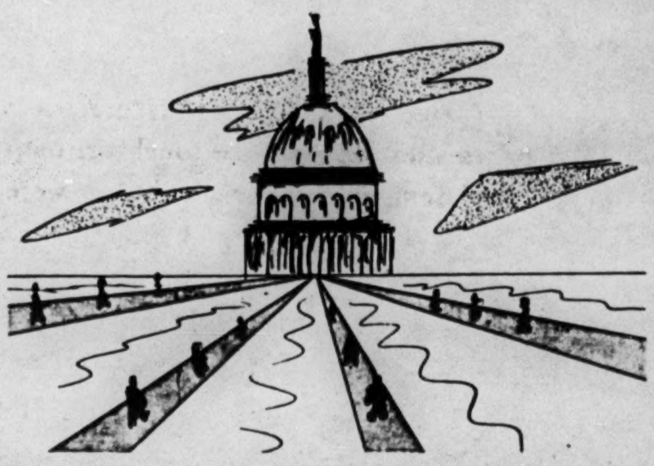
Special attention was given to strengthening relations with influential college officials. Periodic newsletters for college officials were developed by Commission regional offices; letters were sent to or personal contacts made with professional associations; talks were scheduled before meetings of placement officers and other professional groups; and publicity material was sent to professional journals.

The promotion plan was calculated to bring the FSEE to the attention of all students and to keep information before them. It was presumed that practically every student would see the "Futures" poster and that a large number would be persuaded to obtain copies from their placement offices. It was expected that local radio stations would broadcast spot announcements frequently enough so that most students would hear the message at least once. It was believed that most placement officers and counselors would mention the FSEE to students they counseled, and that many faculty members would tell their classes about the new examination and of visits of Federal recruiters to the campus. All informational materials and publicity were intended to lay the ground work for the vital personal contact to be made by recruiters visiting the campuses.

Commission and agency recruiters were armed with a comprehensive guide book to help them prepare for and conduct their campus visits. The guide included instructions and hints for recruiters, a pattern radio script for local or campus broadcast, speech material, questions-and-answers, pattern letters, and sample news releases for local and campus papers.



the Results



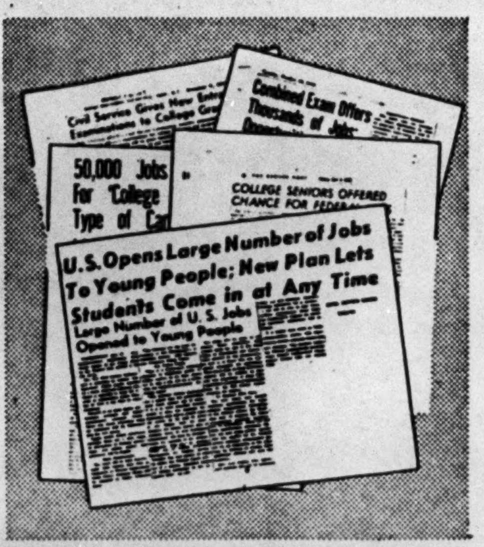
Enthusiastic acceptance of the plan by Federal agencies -- thousands of jobs expected to be filled through the FSEE in 1956 ... Record filing for a college-level examination -- more than 30,000 applications received for the first written tests.

Public relations planning paid big dividends. The results surpassed even the most optimistic expectations for the successful introduction of the Federal-Service Entrance Examination.

From the time that agency representatives and college officials were given preliminary reports on the proposed plan, response was almost unanimously enthusiastic. The product itself had real appeal.

Although the Chairman's letter to college officials sought no reply, many college presidents, department heads, and placement officials took time to cast a vote of confidence.

Agency acceptance was evident from their announced intentions to use the FSEE to make several thousand appointments in 120 kinds of positions.


Civil Service Gives New Entr
Examinations to College Gra
Combined Exam Offers Thousands of Jobs
50,000 Jobs For 'College Type of Ca
COLLEGE SENIORS OFFERED CHANCE FOR FEDERA
U.S. Opens Large Number of Jobs To Young People; New Plan Lets Students Come in at Any Time
Large Number of U. S. Jobs Opened to Young People

As Federal recruiters fanned out to visit nearly 900 colleges and universities, the flood of applications for the examination demonstrated that college students were sold on the idea. By November 18, closing date for the first written tests, more than 30,000 applications were on hand -- the largest filing for a college-level examination since world War II. Moreover, the momentum continued after the first filing deadline passed, forcing the Commission to schedule the second tests a month earlier than originally planned. Approximately 12,000 applications were counted for the February 10 test series.

But the application figures do not tell the whole story. The percentage of participants who survived the tough written tests topped 51 percent, well above expectations and proof positive that the applicants were of the high quality the Government hoped to attract.

The Commission is well satisfied with the early success of the FSEE, but it realizes that it cannot relax its efforts. It plans to follow through to hold and exploit the early gains scored by the program.

Recruiting visits by Commission and agency representatives will be continued, with periodic training for recruiters to improve skills and develop new techniques. Promotional materials and recruiters' aids will be tested and improved. A career directory will be published and distributed to college placement offices and other campus reference points for use by counselors and students. A guide for manpower planning will be published and made available to agencies to increase understanding and acceptance of the career-staffing concept. A standing interagency committee will be utilized to sustain interest in the program and to provide a forum for ideas through which the program may be improved. Efforts will be continued to develop closer relations with influential faculty members, placement officers, and other college officials.

There are still problems on the campus to be solved, further improvements to be made in the career service, and new channels and techniques of communication to be developed. Yet the results to date are encouraging and hold promise for the future -- a future which should see better, more efficient Government, due in part to the new look in Government recruiting.

USCSC—WASHINGTON D C 60-89/56

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

August 11, 1955

MEMORANDUM FOR THE PRESIDENT

Subject: Certain Hoover Commission Recommendations Relating to the General Services Administration

As you requested this morning, I attach a list of the particular recommendations of the Hoover Commission which you wanted to bring to the attention of the Cabinet in urging the active use of the General Services Administration's special skills by all agencies in the Executive Branch.

Rowland Hughes
Director

Attachment:
List of Recommendations
and Recommended Actions

HOOVER COMMISSION RECOMMENDATIONS	RECOMMENDED ACTIONS
COMMISSION REPORT ON PAPERWORK MANAGEMENT, PART I	
Task Force Recommendation No. 2-(p.19): General Services Administration should sponsor a correspondence style board.	General Services Administration should be directed to submit a plan on coverage and advantages of a common correspondence manual.
Task Force Recommendation No. 3-(p.19): General Services Administration in cooperation with agencies should reduce percentage of records designated as permanent.	General Services Administration should be directed to develop new instructions to carry out these recommendations.
Task Force Recommendation No. 4-(p.19): General Services Administration should establish a goal of one-half of all records in center-type space.	
Task Force Recommendation No. 5-(pp.19-20): General Services Administration should establish standards for records centers in order to close out uneconomical centers.	
Task Force Recommendation No. 12-(p.21): All agencies should review use and need for legal size cabinets and paper.	

RA-30

August 12, 1955

RECORD OF ACTION

ADDITIONAL ITEM:

A. Paperwork Management Program (from the recommendations of the Hoover Commission)

ACTION: (1) The President requested Department and Agency heads to cooperate with the General Services Administration, which will serve, in ~~an~~ A CENTRAL assisting and advisory capacity, ~~as the President's agent for the implementation~~ WITH RESPECT TO MANY SIGNIFICANT ASPECTS of the Executive Branch's paperwork management program.

(2) Consideration should be given to ASSIGNING RESPONSIBILITIES ~~designating a special official~~ in each agency to follow through on this program.

AGENDA WITH BRIEFING ANNOTATIONS
Copy for Mr. Rabb

CABINET PAPER—PRIVILEGED

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CA - 31

September 29, 1955

The White House
Washington

THE CABINET

Agenda

9:30 A.M., Friday, September 30, 1955

*1. **Report on International Developments** (The Secretary of State)

TIME SET: 10 minutes

2. **Government Operations in the Temporary Absence of the President** (The Vice President) (The Attorney General) (Governor Pyle)

(a) The Vice President -- Introduction
(b) The Attorney General -- The applicable legal situation
(c) Governor Pyle -- Speech-making in the interim period
(d) General Cabinet discussion

ESTIMATED TIME: 45 minutes

*3. **The Highway Program** (The Vice President)

Announcement will be made of the new Presidential Advisory Committee to be composed of Secretary Weeks, as Chairman; Secretary Humphrey; Secretary Wilson; Secretary Benson; and Governor Adams, with Jack Martin as Secretary. The formation of this group has the President's approval. The Committee will look over past history, will work at a later stage with General Clay's committee and with Governor Kohler's committee, and will then determine what the Administration's highway program should now be.

ESTIMATED TIME: 10 minutes

*4. **Third Quarter Economic Report** (The Chairman, Council of Economic Advisers)

TIME SET: 10 minutes

*Titles which, it is proposed, could be released to the press.

CABINET PAPER

For Action

*5. **Review of the Budget Position** (The Director, Bureau of the Budget)

(a) The Director of the Bureau of the Budget -- General introduction
(b) Round-table report -- A summation of accomplishments, of not more than two minutes, from each Department head

TIME SET: 25 minutes

*6. **Time-table on State of the Union Message** (Governor Adams)

TIME SET: 5 minutes

*7. **The National Equal Economic Opportunity Conference** (The Secretary of Labor)

Announcement will be made of the decision to hold this Conference on October 25. Proposed Press Release under Tab 7

TIME SET: 5 minutes

*8. **Small Business in the National Economy** (The Administrator, Small Business Administration)

An outline of Mr. Barnes' proposed remarks is attached. under Tab 8 ~~in the V.P.'s book.~~

TIME SET: 5 minutes

*9. **New England and Carolina Storm Damage** (The Administrator, Federal Civil Defense Administration) (General Persons)

TIME SET: 10 minutes

/NOT LISTED ON THE AGENDA/:

Budget Director Hughes will announce to the Cabinet the initiation of the management survey of the General Services Administration. The reason for bringing this up at Cabinet is that this survey will touch the Departments with which GSA deals.

Maxwell M. Rabb
Secretary to the Cabinet

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E.O. 11652, Section 1

By BHC NLE, Date 10-25-77

MINUTES OF CABINET MEETING

September 30, 1955
9:30 A. M. --- 12:00 Noon

Vice President Nixon -- presided in absence of the President

Sec. Dulles
Sec. Humphrey
Sec. Wilson, and Deputy Sec.
of Defense Robertson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Hughes,
and Mr. Brundage
Dr. Flemming
Chrm. Young
Amb. Lodge
Dr. Burns

Gen. Bragdon, in part

Gov. Adams
Gen. Persons
Mr. Anderson
Gov. Stassen
Mr. Rockefeller
Gov. Pyle
Mr. Morgan
Mr. Harlow
Mr. Martin
Mr. Seaton
Mr. Snyder
Mr. McCann
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

In the President's absence, the Vice President opened the meeting with a moment for silent prayer and by then reading the text of the morning medical bulletin from Denver which indicated that the President had had an excellent night.

International Developments - Sec. Dulles reported that the most critical problems at this time concern the Near East, where the Cyprus question is inflammatory and carries a threat both to the Balkan alliance and to the Mediterranean flank of NATO. Mr. Dulles said that the US decided to support the British decision of keeping Cyprus off the UN agenda for the primary purpose of reducing tensions until a gradual and evolutionary change of Cyprus sovereignty can be effected. The Egyptian situation is also critical because the Russian armament aid jeopardizes the near settlement of affairs between Israel and Egypt and might also be extended to create a flow of arms to other African areas. Sec. Dulles indicated existence but not the nature of US plans for coping with the situation.

Sec. Dulles reported that the Geneva talks with China were not going very well because the Chinese now seem to be holding back on the release

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of American civilians for the possible purpose of exerting greater leverage on the discussion of future subjects.

On the reassuring side, the discussions at New York looking to the October Foreign Ministers meeting at Geneva went very well, according to Sec. Dulles.

Government Operations in the Absence of the President - The Vice President introduced this subject by emphasizing the need for carrying on the business of government without delay and without stacking up even less routine matters to await the President's return.

The Vice President suggested that Government actions could be accomplished under the terms of policies already set by the President, particularly by working through the NSC and the Cabinet. He reserved for future Presidential decision the establishment of important new policies. In regard to implementation of existing policies, he suggested that the agencies go ahead with regard to those actions which are strictly the business of the agency. For those actions that have ordinarily been submitted in advance to the Cabinet "by courtesy", the practice ought to continue. For those actions taken only after discussion with the President and which are related to NSC matters, the NSC yesterday decided that they should be reviewed in the NSC in lieu of or as a preliminary to discussion with the President. He believed the Cabinet would want to come to a decision on how to handle such matters as related to it.

The Vice President declared that there were no immediate operating problems in sight since it now appeared that the President would soon be able, the doctors permitting, to accomplish necessary routine signatures. He pointed out the good fortune of the President's having established an effective team that could, in the words of the Secretary of State, carry on government on the basis of principles. He emphasized the importance of maintaining a public awareness of the fact that this is the Eisenhower Administration and not one of any other person or group.

The Attorney General saw no legal obstacle to the Cabinet following the lead taken by the NSC yesterday and he believed the Cabinet would want to do so. He thought all members would want to lean over backward to insure that no individual actions affecting other agencies or the general policy of the Administration would be taken without prior discussion with the Cabinet or NSC.

Mr. Brownell said that he had been asked to determine how the Presidential load might be lightened with regard to routine actions. He therefore suggested that each Cabinet member and his Counsel prepare a list of actions within his department that required Presidential approval, and that that list be forwarded to the Attorney General along with the member's suggestions as to which types of actions might be delegated. He pointed

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out that delegations of this sort had frequently been accomplished in the past. Mr. Hughes added that many more delegations could still be accomplished.

The Attorney General then read a draft statement concerning government operations in the President's absence, a statement which he had been asked by the NSC to prepare. A number of suggestions were made for sharpening the language, and agreement was reached on a statement to be issued by the Press Secretary. The Attorney General and Mr. Humphrey emphasized the desirability of avoiding individual comment to the press on this statement. Mr. Humphrey went on to urge full cooperation and discussion of all complex matters in the Cabinet or NSC so as to avoid any possible appearance of controversy during the coming weeks.

Gov. Adams reported his discussion with Dr. White the preceding evening and the agreement that the medical experts should determine in each instance whether routine documents might be submitted to the President for approval. It was agreed that any such documents submitted in the near future must not be controversial and must not require such close attention from the President as to tax his strength.

Gov. Stassen believed that effective teamwork by the Administration in the coming weeks would constitute the highest possible tribute to the President's capacity for organizing government machinery and installing capable subordinates. He suggested that the Cabinet request Gen. Persons to inform non-Cabinet agencies of the actions taken by the Cabinet in this respect this morning. Chrm. Young and the Vice President agreed, the latter noting that the quasi-judicial agencies by virtue of their specific areas of responsibility were always closer to controversy. Gen. Persons agreed to undertake this project as far as possible.

Mr. Summerfield raised the question of speech making during the President's illness. Sec. Humphrey recognized the difficulties involved but believed it was necessary to carry out speech commitments. He thought it important to confine the content of speeches to recital of Administration achievements, thus avoiding partisan controversy. The Cabinet voiced general agreement. The Vice President noted that questions would come up concerning the future of the Republican Party, and he suggested that they could be dismissed quickly as being not worthy of discussion when the greatest concern is for the President's speedy recovery. He suggested that public speakers might take note of the President's skill in previously creating effective administrative machinery.

Gov. Adams reported Dr. White's statement that he had no objection to the President making a statement to the nation -- a suggestion Dr. White had recently heard. Sec. Benson and Amb. Lodge suggested that when the time comes for such a statement it contain recognition of the many prayers uttered throughout the world for the President's recovery.

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The Dwight D. Eisenhower Library

On the invitation of the Vice President, Gov. Pyle re-emphasized the desirability of having current speeches avoid controversy and emphasize that Government business goes on as usual. He believed that the President's absence should not cause any aversion to acceptance of speaking dates. Sec. Wilson said that he might be willing to speak to the Conference of Mayors at Miami in spite of his previous disinclination to do so.

Sec. Dulles noted that Gov. Adams would be at Denver as the channel for presentation of matters to the President. He expected that some individuals outside the Government might set themselves up as authoritatively reflecting the President's views, hence there was all the more need for reinforcing Gov. Adams' position, particularly since he is already a national figure of a highly respected character. The Vice President seconded this and pointed out that Gen. Persons in the Governor's absence would be the top man at the White House and that Government business should be channeled through the White House Staff as usual.

Gen. Persons suggested that Cabinet members take upon themselves a responsibility for holding in the departments such papers as did not merit early action rather than letting them wait at the White House where they could provide a basis for charges that Government business was being held up by the President's absence. The Vice President clarified this to show that since it involved only routine matters it was not in conflict with the earlier discussion of speeding Government business through discussion in NSC and Cabinet. The Vice President went on to point out that the Attorney General would have to assume an additional burden in keeping close to any questions having legal implications.

The discussion was closed by Mr. McCann's comment, at the Vice President's invitation, on the desirability of stressing teamwork in speeches.

Highway Program - Gov. Adams pointed out that the State Governors had appointed a new committee to study the highway program and that it would meet on November third. He believed it desirable to reconstitute an administrative group, particularly since Gen. Clay's illness prevented him from resuming his work. Gov. Adams suggested formation of a Cabinet Committee composed of the Secretary of Commerce as Chairman, the Secretaries of Treasury, Agriculture, and Defense, and a White House Staff member. Gov. Adams later suggested that the Secretary of Labor participate as an ad hoc member.

This Committee would review the recommendations made last year and decide what, if any, changes should be recommended this year. The Committee would report to the Cabinet and stand prepared to advise the Governors. The Vice President raised the question of giving publicity

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to this Committee at this time. Gov. Adams set forth some of the pros and cons, and noted that the President had previously been informed of the possibility of such a Committee. Sec. Weeks believed public announcement should be deferred, as did also Sec. Humphrey.

The Cabinet approved the idea of the Committee and requested Gov. Adams to arrange appropriate publicity at the proper time.

Equal Economic Opportunity - Sec. Mitchell reviewed plans for this National Conference on Equal Economic Opportunity and stated that the Vice President would in the President's absence give a dinner at some Washington hotel. He pointed out the purpose of the conference gives hope that it would produce recognition on the part of business men of the Administration's desire to enforce the policy of non-discrimination. The Vice President underscored the importance of the conference. Sec. Mitchell noted in passing how an FEPC expert from the previous Administration gave high praise in private, though not in public, to the manner in which this Administration had come to grips with problems he thought would never be faced.

Sec. Mitchell suggested that the Secretary of State might speak at the conference but the latter declined because of the forthcoming Geneva conference. Similarly, Amb. Lodge regretted that his commitments for UN Day would prevent him from speaking.

The Vice President urged that Cabinet members make every effort to attend the conference.

Hoover Commission Recommendations - Director Hughes announced the establishment of a coordinating mechanism headed by Mr. Kestnbaum to help implement the Hoover Commission recommendations and particularly to work out with Cabinet members individually the questions that might be resolved by modifying somewhat any specific recommendation. Mr. Kestnbaum will approach the Cabinet members beginning next week and will also carry on liaison with the Citizens Committee for the Hoover Report, which is headed by Mr. Clarence Francis. Director Hughes also pointed out that a small working group would be set up to supplement Mr. Kestnbaum's activity and would consist of Messrs. Flemming, Brownell, Weeks, Dodge, Robertson (the Deputy Secretary of Defense), and Hughes. He stressed that these actions did not in any way reduce the responsibility of each department head to effect action on Hoover Commission recommendations.

In response to Sec. Benson, Mr. Hughes indicated that Mr. Kestnbaum's work would not backtrack to the 1949 Hoover Commission report but that it would cover later on the work of the Commission on Intergovernmental Relations. He stressed that the Administration's purpose was to move ahead as rapidly as possible and have a complete picture by the time Congress convenes in January. Sec. Wilson noted progress made thus far in the Department of Defense, where it appeared that 75% of

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the recommendations would be acceptable and another 15% would be open to modification or later action. Mr. Hughes hoped that any "score card approach" could be avoided.

Gov. Adams stated that controversial matters in this field would be brought to Cabinet for discussion in every instance and that Cabinet members would be asked to join the special group on an ad hoc basis for items of particular interest to each.

With regard to publicity on this action, it was agreed that announcement should be deferred so as not to detract from the major statement approved earlier in the meeting, and that Gov. Adams should arrange announcement at an appropriate time.

Gov. Adams noted that Gen. Persons had discussed the Kestnbaum appointment with the President and that it had his approval.

GSA Survey - Director Hughes called attention to the management survey of GSA which was proposed quite a while ago, is now under contract, and would begin next week. It will necessarily touch upon operations of many Government agencies. Mr. Hughes made clear that the survey was not pointed at the Fortune Magazine article but would cover all aspects of GSA operations particularly as to efficiency.

Report on the Economic Situation - Dr. Burns set forth current economic statistics showing that the economy continues to expand, productivity still increases and nears the $400 billion per year mark, employment increases to ever higher marks, unemployment continues to decline to a point of "virtually full employment", and personal incomes continue to increase. He pointed to the increased percentage of the national product that goes to labor, and he believed that the percentage had now reached the highest point in history. He noted that farmers were not faring so well but that they did share to a large extent in the increase of employment, as witness the share of industrial wages paid to part-time farmers. He noted also the stability of consumer prices, although there is a somewhat larger divergence between industrial prices and farm prices.

Dr. Burns then raised the questions of "whither heads the economy" and "what should governmental policy be". He noted such favorable factors as the excess of manufacturing orders over sales, and improved mortgage and credit terms as far as soundness is concerned. Somewhat unfavorable factors are the slowing of the rate of industrial expansion as expected because of labor shortage and tighter fiscal policy, a decrease of new construction starts, a decrease of new business formations and the tightness of credit which he believed was nearing the situation of mid-1953, and the possibility that stock market prices are inflated.

Dr. Burns believed that our economy will continue to expand for some time and that there is no immediate need for changing governmental

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policies. He believed, however, that the possible need for reversing certain policies must be kept sharply in mind. He recommended certain measures that might be desirable in the near future: (1) expansion of bank reserves through Federal Reserve and Treasury action; (2) cessation of FNMA mortgage sales and perhaps initiation of a mortgage purchase program; (3) avoidance of any Treasury long-term financing in the immediate future.

In response to the Attorney General's question, Sec. Humphrey pointed out that the President's highway program even if enacted next session would not show effect on the national economy for another year or two. Dr. Flemming noted the encouraging action of three aluminum companies in carrying on their expansion programs despite the termination of the ODM tax amortization program for aluminum.

Budget Outlook - Director Hughes reported on the progress of discussions since the last Cabinet meeting with regard to effecting further savings and bringing the budget into balance this fiscal year. He commented on the fine spirit of the discussions and on the prospect of reducing expenditures by $.7 billion without reference to possible economies in the Department of Defense. This amount was achieved mainly through expected reduced cost of stockpiling and Commodity Credit Corporation activities. He noted that the Department of Defense was not sure it could hold to its anticipated $34 billion level, much less effect further economies, but the Bureau of the Budget was somewhat more optimistic. He also suggested that tax receipts might surpass the expected $62.1 billion level. Mr. Hughes concluded by stressing the need for continued tight rein on expenditures by all concerned.

State of the Union Message - Gov. Adams recalled the need for submitting material for the State of the Union message not later than October 15th. He recalled the hope once expressed by the President that he might some day deliver "a twenty minute Message". Gov. Adams stated that some officials believed the message this year should be confined to a statement of general principles without entering into a great mass of detail. Consequently, he hoped that the departments would attempt to make their submissions highly selective.

* * *

The meeting was concluded with word from Sec. Dulles on behalf of the entire Cabinet in appreciation of the tremendous stress on the Vice President during the past week and the wonderful manner in which the Vice President had reacted to it.

LAM
L. A. Minnich, Jr.

Distribution
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

THE WHITE HOUSE
WASHINGTON

October 7, 1955

MEMORANDUM FOR THE PRESIDENT

FROM: Maxwell M. Rabb, Secretary to the Cabinet

SUBJECT: Highlights of Cabinet Meeting of October 7

1. Current Appraisal of the Farm Situation

Secretary Benson submitted for discussion some preliminary proposals which he thinks can form the nucleus of our farm program next year. As they now stand, these proposals include increased emphasis on soil conservation, better use of land, readiness to make emergency purchases of hogs, and other commodities, which need special help. The Cabinet will assist Secretary Benson in developing consolidated recommendations on this whole subject.

2. Individual Agency Relocation Tests

Dr. Flemming has set out the guidelines for the agencies' separate tests to be held between November and February. For employees, they will be on a surprise basis.

3. Employment-Unemployment Statistics

Secretary Weeks will go ahead with plans to broaden the base of the statistics collected on the employed and the unemployed, but will make sure that the preliminary technical preparations are extensive enough to make the publication date of the figures fall in December rather than in July of 1956.

4. **Detailing of Executive Branch Employees to Work for Congressional Investigating Committees**

This has still been going on; the Cabinet agreed we will put a clear stop to it.

5. **Reducing Competition with Business**

Secretary Wilson has found at least one (Navy) Ordnance Plant of 1500 persons which with good management or transfer to private ownership could produce as much with 500 fewer people. He suspects there are more such plants. He and Secretary Mitchell will discuss ways and means of meeting some of the problems sure to arise if Defense moves full-scale into shedding these enterprises.

THE WHITE HOUSE
WASHINGTON

October 6, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of the September 30 Cabinet Meeting

1. Carrying on in your absence:

Purely departmental business -- to go on as before.
All other top-level matters to be brought into Cabinet, especially:
    --any problems with potential misunderstanding or public controversy
    --all matters destined for your attention
  Objective:
    --to ensure complete coordination and team support
    --to screen out matters which can be handled short of you personally
    --for what you must consider: to give you Cabinet-wide as well as single Department recommendations
The Vice President will continue to preside at weekly Cabinet Meetings.
The channel for Cabinet and other top-level business: The White House, through General Persons in Washington, Governor Adams in Denver. It is Mr. Nixon's personal request that there be no end-runs to the Vice President.
General Persons will inform the non-Cabinet agencies of these agreed procedures.
Rule for speechmaking: we will keep it up but avoid partisanship, stress the accomplishments of the Administration.
Major study started: each Department
    --to go over every kind of paper now requiring your signature
    --to recommend to Attorney General what ought to be delegated.

2. Review of the Highway Program:

New Presidential Advisory Committee set up -- to report by November 3. Chairman: Secretary Weeks; members: Secretary Humphrey, Secretary Wilson, Secretary Benson, Secretary Mitchell (ad hoc), The White House Office.

3. Economic Report:

Unprecedented prosperity -- outdistancing 1953 and 1954 records.
We are heading toward a 400 billion dollar economy. (Gross national product is 391 billion dollars now.)
65.5 million employed.
76% of personal income is going to working people (as compared to rents and investments) highest percentage in our history.
Consumer price index: half a point below August 1954.
Dr. Burns' recommendations: that Administration economic policies be flexible so that rapid adjustments can be made in the future if necessary, and that several steps be taken immediately to ease somewhat the tightening of credit, especially for mortgages.

4. Status report on balancing the Budget:

Good cooperation from all agencies. They will keep trying to cut expenses, particularly within the next two months.
Defense having a rough time getting down even to 34 billion.
Tax receipts next year may be the decisive factor.

5. National Equal Economic Opportunity Conference:

Industry and labor leaders strong for going ahead with the Conference. It will be held as scheduled on October 25, with Vice President presiding and Cabinet Members attending.

6. Handling of Hoover Commission recommendations:

Mr. Kestnbaum on deck and machinery in high gear.
Controversial questions will be brought to Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

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RA - 31
October 1, 1955

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of September 30, 1955:

1. Report on International Developments

   /Information item only/

2. Government Operations in the Temporary Absence of the President

   ACTION: (a) It was agreed that each Cabinet Member would be particularly alert to bring forward for group consideration any proposed decisions of important public policy, especially if such decisions may involve potential differences of opinion, misunderstandings or public controversy. Subject to this general rule, the following internal procedures were agreed upon:

   (i) Actions which a Department head would normally take within his own authority and without consulting the Cabinet or the President are to go ahead.

   (ii) Decisions which a Department head could make within his own authority but which he would normally bring in for Cabinet consultation should, as before, be brought up for Cabinet attention.

   (iii) Proposed decisions which would not be made without consulting the President are to be brought before the Cabinet (or NSC) before they are sent to Governor Adams for presentation, as appropriate, to the President. This is to ensure coordination and to enable the President to have the benefit of Cabinet as well as individual recommendations on these matters.

   (iv) The channel for Cabinet business as well as for other Executive Branch decisions is, as before, the White House: through General Persons in Washington and through Governor Adams in Denver.

   (b) At the request of the Cabinet, the Deputy Assistant to the President will advise the non-Cabinet agencies of the Executive Branch of the above Cabinet procedures and will stand ready to assist them with any similar procedures, as may be desired.

2. (cont.)

(c) Agreement was reached on a single public statement on this subject to be issued at the close of the Cabinet Meeting by the White House only.

(d) Each Cabinet Member is to prepare a list of the kinds of papers, normally emanating from his Department, which by statute or otherwise now require the signature of the President. Each Member is to forward his list to the Attorney General together with his suggestions as to those types of papers the signing of which could be delegated by the President.

3. The Highway Program

ACTION: (a) It was agreed that a Presidential Advisory Committee will be established which will:

(i) Review the Administration's proposed highway program of last year and the Congressional action taken on it;

(ii) Recommend whether any modifications should be made in that program and what those changes should be;

(iii) Present its recommendations for Cabinet consideration prior to November 3, 1955.

(b) The membership of this Committee will be:

The Secretary of Commerce (Chairman)
The Secretary of the Treasury
The Secretary of Defense
The Secretary of Agriculture
The Secretary of Labor (ad hoc)
The White House Office

(c) Public announcement of this Committee will be arranged by the Assistant to the President at the appropriate time.

4. Third Quarter Economic Report

ACTION: The Cabinet noted without objection the over-all recommendations advanced by the Council of Economic Advisers, i.e., that Administration economic policies be flexible so that rapid adjustments can be made in the future if necessary, and that several steps be taken immediately to ease somewhat the tightening of credit, especially for mortgages.

5. Review of the Budget Position

/Information item only/

6. Time-Table for the State of the Union Message

ACTION: Cabinet Members were reminded of the importance of meeting the established deadline of October 15 for submission of material for the State of the Union Message, so that the necessary preparations can be made for Cabinet consideration of the general content prior to November 15, 1955.

7. The National Equal Economic Opportunity Conference

ACTION: Cabinet Members are invited and encouraged to attend this Conference which will be held, as scheduled, in Washington on October 25, 1955.

8. Small Business in the National Economy

Postponed.

9. New England and Carolina Storm Damage

Postponed.

ADDITIONAL ITEMS:

A. Appointment of the Special Assistant to the President to Handle Hoover Commission Recommendations

ACTION: Following Director Hughes' explanation of the procedures which Mr. Kestnbaum would be following, it was agreed:

(i) That Cabinet Members affected would be brought ad hoc into the staff machinery being established whenever any matters come up which concern them.

(ii) Controversial matters will be brought into the Cabinet for consideration.

(iii) Announcement of this work will be arranged by the Assistant to the President at the appropriate time.

Maxwell M. Rabb
Secretary to the Cabinet

WHITE HOUSE STATEMENT

IMMEDIATE RELEASE September 30, 1955

Murray Snyder, Assistant Press Secretary

The following statement was issued at the conclusion of the meeting of the Cabinet, Friday, September 30, 1955.

Following the procedure established by the President, the Cabinet met today, presided over by the Vice President. The Members of the Cabinet were greatly cheered by the reports of steady progress and improvement in the President's health.

After full discussion of pending matters, it was concluded that there are no obstacles to the orderly and uninterrupted conduct of the foreign and domestic affairs of the nation during the period of rest ordered by the President's physicians.

Governor Sherman Adams, The Assistant to the President, will leave for Denver today and will be available there, in consultation with the President's physicians, whenever it may later become appropriate to present any matters to the President.

The policies and programs of the Administration as determined and approved by the President are well established along definite lines and are well known. Coordination of the activities of the several Departments of the Government within the framework of these policies will be continued by full cooperation among the responsible officers of these Departments so that the functions of the Government will be carried forward in an effective manner during the absence of the President.

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

October 7, 1955
9:30 A. M. ----- 12:05 P. M.

The following were present:

Vice President Nixon
(presided in the President's absence)

Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
and Mr. Don Paarlberg
Sec. Weeks
Sec. Mitchell
Under Sec. HEW Hunt
(for Sec. Folsom)

Deputy Director Brundage
(for Mr. Hughes)
Dr. Flemming
Chairman Young
Gov. Stassen
Dr. Burns

Gov. Adams
Gen. Persons
Mr. Harlow
Mr. Morgan
Dr. Hauge
Mr. Seaton
Mr. Martin
Mr. Snyder
Mr. McCann
Mr. Masterson
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

After the moment of silence called for by the Vice President, Gov. Adams reported that all the news from Denver was good and that day by day the President was getting more anxious to get back in harness. He described his discussions with the medical experts and the conclusion that the Cabinet could reasonably expect an early participation by the President in Government activities. He then outlined the expected convalescence schedule for October and the arrangements being made for high officials to see the President briefly.

The Vice President noted the proximity of the President's birthday and with Cabinet concurrence requested Gov. Adams to arrange for an appropriate gift from the Cabinet.

Agricultural Program (CP-36) - Sec. Benson introduced this subject by noting the issue which would be made during election year of the farm situation, which he likened to the problems of the economy generally last year. He emphasized the "time bomb of agricultural surpluses" which this Administration inherited, and he urged that as in 1954 all top officials close

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ranks for concerted effort in support of our agricultural programs.

Turning to the paper, Sec. Benson emphasized that the proposals offered were economically sound and mostly of a long-range nature. At his request Mr. Paarlberg reviewed the extensive consideration by the Agricultural Advisory Committee of many varied conservation proposals ranging from Federal purchase and retirement of land at a cost of over a billion dollars, to some very mild schemes for taking land out of production at little cost. He noted that all had certain advantages but also that all had disadvantages of being costly, difficult to terminate, and of limited effect. He noted also that the several major farm organizations not only had diverse viewpoints on these programs but also were split within themselves as to desirability. Sec. Benson then pointed out that the program recommended could be handled under existing agricultural conservation program legislation but that the Department might ask for new legislation to liberalize the current one-year obligation period.

After the Secretary reviewed the other points in the program and the political considerations involved, Sec. Dulles asked if Agriculture proposed to seek liberalization of the terms of P. L. 480 in respect to barter of agricultural surpluses with Communist countries. If so, he wished to know prior to the Geneva Foreign Ministers Conference because of the bargaining power it would give. He believed it would be desirable to provide the Executive with discretionary powers in case such action might become desirable in the future. Sec. Benson felt that the P. L. 480 program was going well with little need for revision but that he would have the matter reviewed. Sec. Weeks felt that the U.S. could better obtain from its friends such raw materials as manganese, that would be offered by Russia in any barter program. Dr. Flemming said there was no requirement for manganese from any source, and Sec. Dulles suggested that even if not needed now non-perishable items like manganese could be stockpiled at much less cost than agricultural products, and that we would merely be exchanging one surplus for another. The Vice President emphasized the need for keeping foreign policy considerations in mind on this subject.

Mr. Summerfield cited current low hog prices and asked if this would not be a good time for a Government purchase program. Sec. Benson stated it was a matter of timing, that available funds could be wasted if used prematurely, that he would discuss the matter with the pertinent Advisory Committee this day, but that they would undoubtedly recommend no action until after farmers have set the size of their breeding programs for next year. He indicated his desire to follow the advice of this Committee and recalled the similar problem with eggs and poultry last year when premature action would have created worse trouble. The Vice President noted the timing factor connected with the return of Congress in January. Mr. Summerfield reviewed opinions he encountered across the country showing respect for Sec. Benson and the farm program, but indicating considerable feeling that the Department was unsympathetic to crises. He emphasized the need to show the genuine interest of the Department in moving in on any bad situation caused by drought, flood,

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By DHC NLE, Date 8-5-76

hurricane, etc. He recalled vividly the debacle of 1948 when farm opinion set against Republicans. Mr. Humphrey cautioned against monkeying artificially with markets.

Gov. Stassen reviewed the extensive activities of the Administration and their psychological effect in carrying through the post-Korea transition from wartime to peacetime economy. He believed that the same activity should be undertaken now in regard to the farm problem, that Sec. Benson's proposals were sound economically, but that something more, with dramatic appeal, was needed for the program to be politically adequate. He questioned whether the Advisory Committee adequately represented farmers, and was told later by Sec. Benson that the Committee was a cross-section from farmers to packers. Gov. Stassen emphasized the need for Agriculture to help turn the price of hogs up again before it hit an absolute bottom. He then went on to the general problem and urged effective action to reduce the size of our agricultural plant by taking whole farms out of production and also by international negotiations covering the whole world situation. He believed there must be both immediate "crisis" steps and long-range approaches. Sec. Benson appreciated the seriousness of the situation and hoped that our agricultural program could be the subject of a better selling job. Mr. Paarlberg spoke to some of the problems, such as relocation, which complicate any major effort to take land out of production.

Mr. Benson assured the Cabinet that the Department was always looking for sound new programs. He believed we would work out of the situation eventually even though our efforts might not be dramatic. Gov. Stassen suggested that the large funds put into surplus storage could better be used for retirement of land in a dramatic program. Sec. Wilson cited the surplus-creating effects of our irrigation and fertilizer programs.

Mr. Brownell pinpointed three sentences in the paper which stated that the farm situation has worsened, that the cost-price squeeze would not end during the coming year, and that farm incomes would not improve for another year. He asserted that these sentences led to the inevitable conclusion that the situation would be bad a year from now and that the proposed program would not effect an improvement. He contrasted this with the improvement action taken a year ago in a bad industrial situation. Sec. Benson replied that at least things will hold steady, that it was a transition from war to peace, that surpluses had to be eliminated, and that no quick solution was apparent. He pointed to the effect that would be had from certain agricultural programs in regard to various segments of the farm population. Mr. Brownell highlighted the contrast between city prosperity and farm depression. Mr. Humphrey at some length cautioned the Cabinet about expecting to be able to do very much and he felt it would be best to keep out of the way of natural processes. In regard to 1954, he felt that the little things done by the Administration had had not much effect, and that the important thing was the establishment of confidence that the Administration would not manipulate against major trends. He was not at all sure that business would be prosperous in 1956. He pointed to the greater length of the agricultural cycle and to the delay caused by Congress

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By [illegible] NLE, Date 8-5-76

in getting started on moving through that cycle. He thought the most important thing to do was to study programs like Mutual Security, where ICA was putting tractors in Turkey to increase food production and thus end the need for buying American farm products. Above all, he emphasized, there was no panacea and the Administration should not panic in the current situation. Mr. Stassen quickly called attention to the Administration action in loosening credit and stimulating housing construction. Mr. Humphrey rejoined that those things may not have been wise since they might cause a recession next year. Gov. Stassen pointed to the constant need for making adjustments in programs. He then emphasized that the Mutual Security program had been tailored to avoid conflict with our domestic needs and that the program had caused a rise in exports of our farm products rather than a decrease. Sec. Humphrey indicated he was talking about the long run. Sec. Weeks commented that farmers had more protection than industry, to which several Cabinet members took exception.

Dr. Flemming suggested the possibility of using supplementary stockpiles to insulate materials that might be obtained from bartering agricultural surpluses. Sec. Benson saw little need for broadening present authority. Sec. Wilson spoke in favor of selling surpluses abroad at whatever price could be obtained, but Sec. Dulles quickly reminded him of the impact of such action on our allies and the availability of military bases overseas. Sec. McKay reflected his conviction from this discussion that planned economy does not work and that the country will be in the best situation when it can return to private enterprise without bureaucratic interference. He cited the importance of natural shifts in land use as prices change and he urged the importance of going back to the basic principles of the Constitution.

The Vice President summarized the discussion as showing no disagreement on the soundness of the suggested long-range program and agreement on the need for continued exploration of possible additional measures. He believed all recognized the political problem and the importance of the Attorney General's analysis of expectations. He emphasized the importance of insuring hope for improvement among farmers and the consequent necessity for full publicity of all Agriculture Department actions and attempted actions. In specific regard to hog prices, he believed the Cabinet was agreed that the Administration could not take an uneconomic position. Sec. Benson stated his concurrence in this summary and then pointed out that farmers may help their net income by reducing equipment purchases, though this would have an adverse effect on the economy as a whole.

Gov. Adams recounted the President's deep interest prior to his illness in this problem and his suggestion that the Cabinet might meet in Denver to discuss the subject. Gov. Adams stressed that under present conditions the Cabinet should go to great lengths to reach all possible agreement on a subject like this, and he suggested that the Cabinet might discuss subsequently the possible desirability of establishing a Subcommittee to join with the Secretary of Agriculture in crystallizing an over-all program that would

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By: jbc NLE, Date 11/20/

be reassuring to the President. Sec. Benson said he would welcome all possible help, and the Vice President stated that the matter would be taken up at the following meeting.

Relocation Tests (CI-31) - Dr. Flemming went over this paper, which would be issued as a memorandum provided the Cabinet concurred. He emphasized especially the need during relocation tests to be sensitive to any discrimination problems so that timely changes could be made if necessary in regard to relocation sites. He urged that the fine Administration record on this subject not be endangered by lack of attention to its relocation aspects. This paper was accepted without comment.

Employment Statistics - Sec. Weeks recalled earlier difficulties in changing from one base to another for certain national economic statistics and the ensuing study. He indicated that that study had resulted in a new procedure, authorized and funded by Congress, which would go into effect next June. He wanted to check with the Cabinet the advisability of a change-over at that time. Secretaries Mitchell, Humphrey, Wilson, The Attorney General, and Dr. Burns all expressed their favor for improving the base of statistics and the importance of accomplishing it at a time when the least political controversy could be made over changes. Dr. Burns emphasized the desirability of thorough experimentation with the new system before official adoption. The Cabinet agreed that that should be accomplished.

Employee Security Investigations - The Attorney General noted various Congressional requests for the loan of Executive Branch personnel to assist in carrying on investigations of personnel security cases. He questioned the propriety of such crossing over of the lines between the Legislative and Executive Branches. He requested all Cabinet members to examine closely for such personnel loans as may have already been made as well as any future requests. Sec. Wilson commented that an ability to make such loans of personnel was full evidence of the possibility of reducing the numbers of personnel in any department.

Disposition of Government Businesses - Sec. Wilson reviewed the Hoover Commission recommendation on this matter and the questionable Congressional rider last session on the Defense Department appropriation bill together with the President's questioning of its propriety. He then cited a particular case involving an Ordnance plant in Georgia where he himself had checked on its efficiency and found that outrageously obsolete production methods were in effect. He expressed some doubt as to the desirability of moving rapidly on this plant and others because of the implications of such action on relations between labor groups and his Department. He said he was considering the employment of an outside management group to study the relative efficiency of Defense Department enterprises and private enterprises.

The Vice President believed such a study should be made. Secretary Mitchell suggested that the Secretary of Defense discuss the matter first

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By________ NLE, Date________

with various labor people so as to insure against their opposition. It was agreed that the Secretaries of Defense and Labor would discuss the matter further.

* * * * *

Sec. Mitchell called attention to the serious illness of former Secretary Martin Durkin and suggested that Cabinet members might wish to make appropriate expressions of sympathy.

L. A. M.
L. A. Minnich, Jr.

Copies to:
  Mrs. Whitman ✓
  Mr. Rabb
  Mr. Minnich

October 7, 1955

MEMORANDUM FOR THE PRESIDENT

FROM: Maxwell M. Rabb, Secretary to the Cabinet

SUBJECT: Highlights of Cabinet Meeting of October 7

1. Current Appraisal of the Farm Situation

Secretary Benson submitted for discussion some preliminary proposals which he thinks can form the nucleus of our farm program next year. As they now stand, these proposals include increased emphasis on soil conservation, better use of land, readiness to make emergency purchases of hogs, and other commodities, which need special help. The Cabinet will assist Secretary Benson in developing consolidated recommendations on this whole subject.

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Dr. Flemming has set out the guidelines for the agencies' separate tests to be held between November and February. For employees, they will be on a surprise basis.

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Secretary Weeks will go ahead with plans to broaden the base of the statistics collected on the employed and the unemployed, but will make sure that the preliminary technical preparations are extensive enough to make the publication date of the figures fall in December rather than in July of 1956.

4. Detailing of Executive Branch Employees to Work for Congressional Investigating Committees

This has still been going on; the Cabinet agreed we will put a clear stop to it.

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Secretary Wilson has found at least one (Navy) Ordnance Plant of 1500 persons which with good management or transfer to private ownership could produce as much with 500 fewer people. He suspects there are more such plants. He and Secretary Mitchell will discuss ways and means of meeting some of the problems sure to arise if Defense moves full-scale into shedding these enterprises.

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COPY NUMBER 1

CP - 36

October 5, 1955

The White House

Washington

THE CABINET

Current Appraisal of the Farm Situation

For consideration by the Cabinet, attached is an outline of the points concerning farm policy which the Secretary of Agriculture wishes to present and discuss at the coming Cabinet Meeting.

The recommendations in Section III represent preliminary thinking at this time -- to indicate general policy direction. They are not final positions, nor are cost estimates fully worked out.

Recipients are requested to take special precautions to safeguard the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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THE CABINET

COPY NUMBER: 1

Current Appraisal of the Farm Situation

I. The Economic Situation

A. Agriculture is pinched by a price-cost squeeze which is not likely to improve during the next 12 months.

B. Farm income is down about 20 percent since the Korean War peak in 1951 and is not likely to rise in 1956. Per capita incomes of all farmers from all sources, however, are down only 6 percent from the 1951 peak. Last year per capita incomes of farmers rose slightly and were 11 percent above 1950.

C. Bouyant markets, which would otherwise prevail, are blanketed by the mistakes of the past, which built a $7 billion government stockpile of farm commodities. This stockpile cannot be dumped in the ocean, cannot be sold quickly at any price and cannot be given away quickly. These commodities must be held, and gradually worked off.

D. Currently production and consumption are approximately in balance. When stocks begin to diminish, slow but sure improvement will result.

E. Despite hardships, agriculture is basically in a sound position as measured by working capital, financial reserves, land values, and the ratio of debts to assets.

F. General stability at about present levels in prices received and paid is expected in 1956. The parity ratio will be near present levels to a couple of points lower. As the 1956 crop becomes visible, its size will affect prices.

G. If economic activity remains at a high level, agriculture will be able to make the transition from war to peace without excessive hardship within the general framework of the Agricultural Act of 1954.

II. The Political Situation

A. The farm situation has worsened while we have been in office. Difficulties are due to the transition from war to peace, to the bad law which we inherited and to irresponsible decisions of the preceding administration. But it is difficult to make people in a squeeze see the causes of the trouble while the Democrats are demagoguing.

B. Republican leaders are nervous. The Republican loss of the 1948 Presidential election is widely (but probably erroneously) attributed to dissatisfaction on farms in the middle west.

C. Democratic efforts to arouse dissatisfaction are concentrated in the politically important middle west, where the declining price of hogs has provided a fertile field for this propaganda.

D. Farming people generally associate the Republican party with deflation, due to the 1929-1932 experience.

E. The Democratic effort to arouse farm dissatisfaction is premature for maximum effectiveness. If prices received are relatively stable, farmers will become accustomed to present price levels, adjust their costs to them and lose their present fear of further declines. It will be impossible for the Democrats to sustain public interest in their present barrage regarding the farm situation.

F. We have peace and integrity in government. Farmers appreciate this. They are not just farmers but are also people.

CABINET PAPER

For Consideration

III. A Recommended Position

A. Legislation:

1. Appropriations to use perhaps $200 million additional of Agricultural Conservation Program funds to help farmers shift from crops to grass or forest on those lands not well adapted to cultivation. Legislation is needed to make commitments in excess of a one-year period. Also authority is needed to contract with land owners to accomplish land use adjustment for a period sufficiently long as to have an effect on crop out-turn.

2. A package program for wheat:

    a. permit farmers to grow wheat for their own use as feed, food and seed without restriction

    b. permit growing of durum wheat without restriction for one more year

    c. reduce the commercial wheat area so as to loosen up wheat for feed uses.

    d. permit the feeding, at the discretion of the Secretary, of 100 million bushels of CCC wheat annually.

3. Legislation to make cotton more competitive, price-wise, so as to increase exports and domestic use. This will result in liberalized allotments.

4. Rural Development Program for low income farmers, including legislation and appropriations.

5. Great Plains Program, including needed modification of existing Federal programs.

6. Perfecting legislation within the general framework of existing law.

B. Administrative:

1. Stand ready to assist the market for hogs, potatoes and other perishables with a limited program of purchase and vigorous promotion, education, merchandising.

2. Support prices of farm products at as high a price as is possible without undue government acquisition.

3. Extend help to distressed persons and distressed areas through credit programs, disaster relief, surplus food and feed programs.

4. Pursue a vigorous disposal program, but protect our price structure in doing so.

C. Political:

1. Strong endorsement, through the White House and the Republican National Committee, of the foregoing position.

2. A strong campaign, through speaking and writing, to get the facts before the public:

Administrative Accomplishments in Agriculture

Removed price controls.
Improved dairy situation.
Vast disposal program in operation.
Production and consumption will be approximately in balance during the current marketing year.
Increase in exports achieved.
Helped in beef crisis and with other perishables. Assisting in hog situation.
Overall economic stability resulting from administration policy has helped make the transition from war to peace with less disruption than ever before.
Increased research and education.
Improved service through Rural Electrification Administration and Farmers Home Administration.

Democratic Failures

Democrats left a time bomb for us by discarding acreage controls for 1952 and 1953 crops.
Democrats ran the machine with the throttle wide open and without brakes.
Two-thirds of the decline in prices took place under the Democrats.
Democrats scuttled the program for low-income farmers.
Democrats struggled unsuccessfully for 7 years to get farm income up during 1934-1940. Succeeded only when we got into war.
If 90 percent supports were the answer to our problem we would have no problem. Virtually all our difficulties occurred while supporting prices at 90 percent.
Democrats trying to talk agriculture into a depression. This is a disservice to farmers.

Favorable Points in the Agricultural Situation

Land values have continued to rise.
Per capita incomes of farmers have remained strong.
Financial assets generally favorable.
Ratio of debts to assets generally low.
Level of living on farms continues to improve.
High consumer incomes mean good domestic markets.
Growing population and continued improvement in diets gives a good prospect for the future.

THE WASHINGTON POST and TIMES HERALD
●●●●B Wednesday, October 12, 1955 13

Division in Cabinet . . . By Roscoe Drummond

Whether to Keep Benson Farm Policy Brings Split

THE FIRST serious breach in the ranks of the Cabinet since the President's illness is now visible in Washington.

Drummond

Today the most highly placed, influential officials of the Administration are split into powerful factions over whether to stand resolutely behind the Eisenhower-Benson farm policy, or to throw it to the winds to a politician's panic over declining farm prices.

Because the division is so deep, and the pressures from farm-bloc Republican Congressmen to outbid the Democrats for the farm vote so sharp, it has thus far proved impossible for the Cabinet to put an agreed recommendation before Mr. Eisenhower.

Thus the White House is faced with this blunt dilemma:

- Only the President, by acting decisively and soon, can stand off the growing demands of Republican politicians to grab farm policy away from the Administration and ride off in all directions.
- But because opinion within the Cabinet is so hotly contested, and because any present proposal to Denver would have to reflect this division, Sherman Adams, the assistant to the President, has ruled that such a "controversial position paper" cannot be put before the President at this time.

◆

TO THOSE who understand something of how earnestly the political professionals can rationalize their economic policies, and can turn them inside out with ease and without any change of countenance when the political tides seem to be shifting and an election is in sight, it is not difficult to identify those within the Administration who are ready to scrap the Benson program piecemeal and who want either a pliable Benson or no Benson at all.

Those who know the facts of the present controversy are aware that the leading advocates of diluting the Eisenhower-Benson farm policy to a give-the-farmer-anything-he-wants election approach are Arthur Summerfield, former Republican National chairman and now Postmaster General, Harold Stassen, a presidential aspirant himself, and Attorney General Herbert Brownell, a faithful Dewey man who has a variety of honest political stakes in his custody. Leonard Hall, chairman of the Republican National Committee, is the target of the most frantic political pressure, but he will strongly support whatever decision the President finally makes.

At the moment Vice President Richard Nixon is steering such a meticulously neutral course that the Benson supporters feel that he may well be their ally and the anti-Benson advocates feel that, despite his correct words, he has raised a friendly and sympathetic eyebrow in their behalf.

All other members of the Cabinet are on Mr. Benson's side.

The upshot of the matter is that a high level Administration committee is to be appointed in an effort to resolve the disagreement among the President's advisers or to produce a compromise which will be genuinely acceptable to both sides. No such agreement, no such compromise is anywhere in sight.

Vice President Nixon and Secretary Benson will logically be the first to go over the make-up of the committee. But the final decision on its personnel—which will almost certainly determine its recommendations—will be made by Presidential Assistant Adams and the Vice President.

◆

THERE IS no tendency within the Administration to minimize the reality of declining farm prices, or to belittle the political consequences of declining farm income.

Secretary Benson's known position is that the Administration can hold the majority support of the American farmer if the Republicans do not panic and try to run on everybody else's farm program but instead unite and go into the election without reversing themselves.

There is no doubt that Sec. Benson will not stand by and permit a farm policy of selling out to the highest bidder.

But the pressure to do so is growing and only relatively [illegible] decisive action by [illegible] can hold the Ad[illegible] his party to- [illegible] issue.

([illegible] 1955 New York Herald Tribune, Inc.)

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CABINET PAPER—PRIVILEGED

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CA -33
October 12, 1955

The White House

Washington

THE CABINET

Agenda

10:00 AM, Friday, October 14, 1955

1.	Report from Denver		
2.	National Day of Prayer	(Oral)	The Vice President
3.	Program For Assistance to Depressed Localities	CP - 37	The Chairman, Council of Economic Advisers
4.	Review of Real Property Holdings	CI - 30	The Acting Director, Bureau of the Budget
5.	Proposals for Reorganization Plans	CI - 32	The Acting Director, Bureau of the Budget
6.	An Approach to Balancing the Budget: The Incentive Award Program	(Oral)	The Chairman, Civil Service Commission

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By BHC NLE, Date 8-6-76

MINUTES OF CABINET MEETING

October 14, 1955
10:10 A. M. --- 12:20 P. M.

Vice President Nixon
(presided in absence of the President)

Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Deputy PMG Maurice H. Stans
(for Mr. Summerfield)
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Mr. Brundage
(for Director Hughes)
Dr. Flemming
Gov. Stassen
Chrm. Young
Dr. Burns, and
Mr. R. J. Saulnier

Mr. Bernie Rosen, CSC (in part)

Gov. Adams
Gen. Persons
Mr. Dillon Anderson
Mr. Rockefeller
Mr. Morgan
Mr. Martin
Mr. Snyder
Mr. McCann
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

At the opening of the meeting the Vice President suggested that it would be a good idea for the Cabinet to tape-record a birthday greeting to the President, and this was done.

Denver Report - Governor Adams reported that the President had told his doctors that yesterday was his "best day" since becoming ill. Governor Adams indicated that the President would be allowed to begin walking next week, and that it would not be long afterwards when he returned to the East -- probably Gettysburg.

Governor Adams explained that various matters were being discussed with the President because of his anxiety to get back into the flow of activity. In the course of one of these discussions the President asserted his belief that Federal employment was still unnecessarily high and that recruiting could be reduced by perhaps one hundred thousand people. He asked Governor Adams to tell this to the Cabinet.

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Sec. Dulles reported briefly on his twenty-five minutes with the President during which it was very obvious that the President's mind was fresh and vigorous. Mr. Dulles came away with the feeling that the President was ready to tackle any problem that should become acute.

Boston Report - Sec. Humphrey reported on the dinner meeting at Boston which, like the others at Philadelphia and Chicago, had been eminently successful. Sec. Weeks and Mr. Stassen commented on the great effectiveness of Sec. Humphrey's speeches. All agreed that the list of Administration achievements was tremendously impressive when spelled out vis-a-vis the objectives set by the Administration in 1952. These remarks prompted Gov. Adams to note that something of the achievement record might be built into the State of the Union message. He reminded Cabinet members that State of the Union material is due tomorrow (only five submissions have been made thus far).

Day of Prayer Proclamation - The Vice President noted the suggestion that the President proclaim the National Day of Prayer for immediately preceding the Geneva Foreign Ministers Conference. Sec. Dulles thought well of the idea. It was noted that a check would have to be made by the White House staff as to whether any other Day had been proclaimed for October 26th. October 27th was agreed to as an alternative date.

Depressed Localities (CP-37) - Dr. Burns introduced this program for assistance to depressed localities with comments on the deep interest the President had taken in it during the month prior to his illness. Dr. Burns then cited unemployment statistics for specific cities which are in a serious situation despite this period of prosperity. He also noted that the Administration last year had attempted (unsuccessfully) to increase the budget of the Area Development Division in the Department of Commerce, and that Congress was almost certain to consider next session legislation on this program, perhaps especially Senator Douglas' bill which among other things would provide substantial funds for outright grants to communities for public works. Dr. Burns emphasized the extensive thinking given to this program, though he characterized it as by no means a finished product.

Dr. Burns then reviewed the program, placing emphasis on the proposals for coordination of existing programs through a new agency for Area Development to be headed by an Assistant Secretary, for encouragement of local and State planning for community development, for providing technical assistance, and for making capital improvement loans in conjunction with local public and private organizations.

Sec. Weeks was not certain that the head of the agency should have Assistant Secretary rank, and he was particularly bothered by the creation of a new lending agency. He believed the proposal should have further study. Sec. Mitchell emphasized the nature of the program as creating employment rather than helping any particular group, and he stressed the need for the Government to intensify its activity, as it might have to do in any event, in view of Congressional interest. He believed the suggested limits on making loans should be increased rather than decreased. Sec. Benson stated his interest in this program, so similar to the program for rural

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development, but on the basis of experience with that program he questioned the need for a new agency or a new Assistant Secretary. Mr. Flemming spoke in favor of the program as presented, and suggested the possibility of accomplishing it through a reorganization plan. Sec. Humphrey noted that he had had no time to study the proposal yet, though he believed the action should lie primarily in the Commerce Department. He cautioned at some length on the risks of making loans to keep alive or develop uneconomic industries in the face of inevitable changes in tastes, sources of power, etc. Such action, he believed, was the equivalent of taxing going concerns in order to subsidize, at much risk to the Government, potential rivals. Sec. Wilson recalled his "bird dog" comment and went on to note the weakness of attempting to stimulate a specific area artificially when it serves no natural purpose. Gov. Stassen emphasized the importance of doing something, perhaps through a "pilot plant" approach, for these distressed areas and Sec. Humphrey agreed. Sec. Benson believed it important that the Government not get into the position of slowing up necessary transitions. He hoped that such action as might be taken would not include loans. Sec. Weeks commented on the stimulant provided to particular areas by the construction of improved roads in the vicinity.

The Vice President summarized the discussion by noting the general agreement on the need for further study and on the need for some program. He went on to comment on the need for one central place for coordination of the many diverse Government activities already in being, and then he noted again the Congressional interest in the subject. Secretaries Wilson and Humphrey agreed again on the need for some accomplishment. The Vice President asked Dr. Burns to discuss the subject further with interested Cabinet members, with a view to further Cabinet discussion. Sec. Benson asked that the rural development program be tied in.

Gov. Adams noted how the scope of this problem frequently surpassed the authority and ability of State officials, who would then have to turn to the Federal Government and would need to be able to approach some single agency. He believed that State and local interests would serve to prevent unwise loans by the Federal Government and he suggested the possibility of working through State corporations designed to cope with this problem.

Mr. Stans then attempted to set forth the Postmaster General's belief -- to the effect that statistics of 6% unemployment do not mean that only 6% are concerned, for the whole economic health of a community depends upon avoidance of heavy unemployment. He wished also to emphasize the need to anticipate Congressional interest and action. Gov. Stassen spoke briefly on the need for coordinating the introduction of such a bill with Members of Congress, like Senator Duff, from heavily affected areas.

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Disposal of Government Real Estate(CI-30) - Mr. Brundage went over the high spots of CI-30. At the conclusion of his remarks, Sec. Humphrey said that a person had come to him to show how many agencies of the Government did not know of real estate that they owned -- as revealed by a sample that the individual had made from the deed lists of three counties in three different states. Sec. Humphrey believed it would be useful to attempt to enlist the aid of the Governors of the States in preparing a complete inventory from the county property rolls. Gov. Stassen believed the local tax assessors would rejoice in such a program. Mr. Brundage noted that Budget had an inventory of all property on record, but that the Government might own property without having a record of it.

The Attorney General noted that recent figures on real estate acquisition and disposal showed that acquisitions are running at three times the rate of disposal during the current year. None of the Cabinet knew of any unusual program that would explain this.

Reorganization Plans (CI-32) - Mr. Brundage went briefly over the highlights of this paper. Sec. Benson commented on the sensitivity of many Reorganization actions. He believed timing worthy of very close attention.

Sec. Wilson expressed his desire that Defense move rapidly on augmentation of Hoover Commission recommendations in those cases where other agencies are not affected and legislation is not required. To do this, he said, Defense needed clearance so that it could go ahead on its own at a rapid rate. Mr. Brundage indicated that he would arrange for an appointment between Mr. Kestnbaum and Mr. Coolidge when the former is in Washington next week.

Incentive Awards Program - Chrm. Young showed a group of slides highlighting the purposes and accomplishments of this program. He pointed out that in the seven months during which the new program has been in operation, $1 and 1/2 million had been paid out in awards for suggestions which had achieved tangible savings of $40 million without reference to other intangible savings. He believed greater use of this program would help toward balancing the budget and he asked all Cabinet members to give it greater attention.

The slides have been shown around the agencies so that personnel people are familiar with them. They showed the extent of accomplishment of the different agencies -- Navy Department having accomplished the most. Mr. Young cited one instance where a person in the Army had worked out a program that resulted in savings of $155 million. These Superior Performance Awards particularly need much more attention by department officials.

Sec. Wilson re-emphasized Mr. Young's statements by recounting his experience with General Motors. In one year, GM had paid out $2.4 million in awards.

Hog Prices - Sec. Benson noted how firmly the market is holding up

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despite the heavily increased number of animals this year.

* * *

The Vice President concluded the meeting by recounting the President's message to the Cabinet about how proud he is of the way it is carrying on in his absence. He told the Vice President that he was sure there had never been a Cabinet like this one in the history of our country.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

RA - 33

October 14, 1955

The White House

Washington

THE CABINET

Record of Action

The following action was taken on the items presented at the Cabinet Meeting of October 14, 1955:

1. Report from Denver

ACTION: The President, through Governor Adams, asked that Cabinet Members again make a special effort to reduce the amount of new Federal hiring.

2. The National Day of Prayer

ACTION: The Cabinet agreed that it would be desirable for the President to proclaim as the 1955 National Day of Prayer a day immediately preceding the Geneva Foreign Ministers' Conference, i.e. October 26 or 27, subject to a final check to ensure against inappropriate conflicts.

3. Program for Assistance to Depressed Localities — CP - 37

ACTION: The Chairman of the Council of Economic Advisers was asked to give further study to this paper, in consultation with interested Cabinet Members, in order to present this subject again at a Cabinet Meeting in the near future.

4. Review of Real Property Holdings — CI - 30

ACTION: (a) The Cabinet noted without objection the draft Bureau of the Budget circular in CI - 30.

(b) It was suggested that the Bureau of the Budget make an analysis of the feasibility of state and local cooperation in a survey of Federal property holdings.

5. Proposals for Reorganization Plans — CI - 32

/Information item only/

6. An Approach to Balancing the Budget: The Incentive Awards Program

ACTION: The Cabinet noted the significant opportunities which this program, diligently administered, with full support from the top, offers for economies in government operations.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

October 15, 1955

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of the Cabinet Meeting of October 14

1. Curbing New Hiring

Your request for special efforts on this front were relayed to the Cabinet with emphasis by Governor Adams; the unanimous reaction was "Amen". We are putting on the agenda a round-robin report from each Cabinet Member next week on progress toward balancing the budget, including reductions in hiring.

2. The National Day of Prayer

Pursuant to Congressional Resolution, you designate some day each year as a National Day of Prayer. The suggestion was made to Cabinet that this year you proclaim a day immediately preceding the Geneva Foreign Ministers' Conference as the 1955 Day of Prayer. Secretary Dulles endorsed this suggestion as did all the rest of the Cabinet. The proclamation will be sent out to you as soon as we have checked to make sure there are no inappropriate conflicts. USIA is enthusiastic about this proclamation and will call proper attention to it when the time comes.

3. Program for Assistance to Depressed Localities

Dr. Burns, as the head of an interdepartmental task force, presented the program which he recently described to you for modest government action to aid areas of chronic and persistent unemployment (examples: Lawrence, Massachusetts with 18% unemployment, other textile and coal-mining areas).

Basic questions were asked, e.g.:

> Haven't we got to be careful about starting up a new lending agency?
>
> Is it fair for the government to subsidize some businesses, which, although they may be in depressed areas, may be in competition with others not subsidized?
>
> Isn't it true that subsidies, plants and workers are still not enough to ensure successful business rehabilitation, and that managerial talent, natural resources and markets are just as crucial?

All agreed that a sound and adequate program is essential, but that further study would be helpful. All also agreed that it was going to be indispensable to base such a program firmly on the assumption of State and local responsibility, initiative and cooperation. It was pointed out that we couldn't stall off solutions to this problem -- that if we didn't act, the opposition surely would, and would embarrass us in the process.

Dr. Burns is going to refine his proposed program by discussing it further with the interested Cabinet members, with a return Cabinet engagement in the near future.

4. Review of Real Property Holdings

Mr. Brundage has circulated to the Cabinet written standards by which each Department can judge which of its properties are surplus. A brief discussion today served to give added impetus to this disposal program.

5. An Approach to Balancing the Budget: The Incentive Awards Program

Chairman Young gave an impressive presentation on the status of the Incentive Awards Program to date. Tangible savings in government operations of $40,000,000 have been made in just the last seven months. In FY 1955 one Navy Department suggestion saved Defense $155,000,000. This presentation was a good reminder of the other Departments to make full use of this tested method of accomplishing government economies.

The Vice President closed the meeting with your kind and poignant message to the Cabinet. It was received in a spirit of renewed dedication.

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Maxwell M. Rabb
Secretary to the Cabinet

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CP - 37

October 12, 1955

The White House
Washington

THE CABINET

Program for Assistance to Depressed Localities

For consideration by the Cabinet, attached is a paper prepared by the Chairman of the Council of Economic Advisers.

This paper outlines the present programs of Federal assistance to improve local economic conditions, sets forth the principles which should underlie a new program and indicates the substance, procedures and cast of such a new program.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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THE CABINET

Program for Assistance to Depressed Localities

I. The Problem

In spite of generally prosperous economic conditions in the Nation as a whole, some communities have experienced persistent and relatively high unemployment. The purpose of this memorandum is to describe a program for revitalizing the economic life of depressed local areas. The emphasis is on helping them to help themselves.

II. Present Programs of Assistance

The Federal Government already has several programs which are designed, or could be used, to improve local economic conditions.

1) Office of Defense Mobilization

Extra tax amortization benefits for new defense facilities located in labor surplus areas.

Preference to firms in labor surplus areas bidding on procurement contracts.

2) Department of Commerce (through Area Development Division)

On-the-scene technical assistance to State and local groups in planning for effective use of community resources.

Information on new product development, market expansion, etc.

3) Department of Labor

Information on community labor resources, industry needs, and job opportunities.

Information on successful community self-help programs.

Vocational training programs.

4) Small Business Administration

Loans made directly or in conjunction with private lenders, including local development corporations.

Management, technical, and product assistance.

Representation of the small business interest in government procurement.

5) Housing and Home Finance Agency

Advances (that is, interest-free loans) to State agencies for planning public works.

Loans to States, municipalities, etc., to help finance basic public works, such as water, sewer, and gas distribution systems.

Loans to colleges for housing and other facilities.

Payment of up to two-thirds of the net cost of an urban renewal project to a community.

Advances to municipalities for urban renewal planning grants for development planning in metropolitan areas.

6) Other Federal programs affecting local economic conditions include:

Grants-in-aid for vocational education and for construction of roads, airports, hospitals, public housing, etc.
Construction of post offices and other government facilities.
Stockpiling of critical and strategic materials.
Loans and other assistance to low-income farmers.

III. Principles Underlying New Program

Existing programs need to be supplemented and effectively coordinated in a realistic approach to the problem posed by local depressed areas. A program to accomplish this end is set forth below.

The program stresses five principles:

1) Depressed areas -- that is, communities (or larger areas) that have experienced substantial and persistent unemployment -- have the primary responsibility for planning and financing their own economic improvement.

2) The planning should aim at (a) lasting improvement rather than temporary relief, (b) the creation of new job opportunities rather than the mere transfer of such opportunities from one community to another.

3) Federal participation in any financial assistance program should be kept within modest limits.

4) The States should join with the Federal Government in any program of financial aid to communities.

5) Arrangements for Federal assistance should be made through broadly representative community organizations.

IV. Program Involves Federal, State and Local Participation

Three kinds of institutions are needed to carry out the objectives of this program:

1) An Agency for Area Development (AAD), preferably a new unit in the Commerce Department, to be headed by an Assistant Secretary appointed for this purpose. AAD would provide technical assistance (either directly or through financial grants for the purpose) to encourage planning for community development (see V, A, 1 below). It would also make capital improvement loans to help implement local development plans (see V, A, 2 below). AAD would have an Advisory Board composed of the Secretaries of Labor, Commerce, and Treasury, the Small Business Administrator, the Housing and Home Finance Administrator, and perhaps others.

2) State Development Commissions (SDC), new or existing agencies for dealing with AAD and with the local groups described immediately below.

3) Local Coordinating Committees (LCC), new or existing, broadly representative groups including such persons as local government officials and civic, business, and labor leaders. LCC's must be authorized by SDC's to act in behalf of communities.

V. Programs of Agency for Area Development

A. AAD would administer two new programs:

1) Technical assistance for community surveys and planning, including:

(a) study of the size, kind, quality, adaptability, etc., of the community's labor force, natural resources, industrial and other business facilities, public facilities, etc;

(b) drawing up a "balance sheet" showing the economic strengths and weaknesses of a community.

AAD might send its experts directly into local communities; or it might give the community a financial grant to cover cost of survey, etc.; or it might enter into contracts with university bureaus of business research (nearly all State universities have such units) for performing this function.

AAD might also enter into contracts with universities or research institutes for investigation of problems common to a number of communities (e.g., uses of resources and by-products, process development, and potential markets).

2) Capital improvement loans to:

(a) Private firms

(b) Ad hoc syndicates of firms

(c) Local or State development corporations

To satisfy the requirements of a community development plan, a capital improvement loan could be obtained through an LCC for any of the following purposes:

(a) purchase, rehabilitation, modernization, or adaptation to new uses of existing business plants and facilities;

(b) construction of new plants and facilities for use by new or existing firms;

(c) consolidation and preparation of tracts for use as industrial sites (including purchase of real estate, demolition, grading, extension of water lines and sewer systems, etc.)

Loans would be made for terms up to 25 years and would be subject to amortization. Interest rates would be established by the AAD Administrator in consultation with the Treasury.

An AAD loan would be not more than 25 percent of the estimated project cost. The State would be required, through its SDC or other designated agency (for example, a state development corporation) to pledge a minimum of 15 percent. The project originator would raise the remainder of the required funds.

B. Besides administering the above new programs, AAD would attempt to coordinate existing Federal programs for alleviating local unemployment, and to encourage State and local programs for this purpose. For example, AAD might call to a community's attention the desirability of organizing a skill improvement program (through the Department of Labor); or coordinating an industrial development plan with urban renewal (Urban Renewal Administration) and the expansion of basic public works (Community Facilities Administration).

C. To avoid duplication of effort, AAD should utilize the services, facilities, and information of other Federal agencies to the fullest possible extent.

VI. Procedures for Initiating New Programs

A. An application for AAD technical assistance could be made by an LCC upon determination by the Secretary of Labor that the community is eligible for consideration in view of its substantial and persistent unemployment. (Criteria should be more stringent than those now in use, e.g., by Office of Defense Mobilization.)

B. An application for an AAD capital improvement loan could be made by an LCC after it obtains:

1) a determination of eligibility by the Secretary of Labor as in VI-A above; and

2) a certificate of review and approval from its SDC, which pledges the State to subscribe at least 15 percent of the loan funds involved.

C. Before approving an LCC application for technical assistance or for a capital improvement loan, AAD should determine, among other things, that:

1) the community may properly be treated as an economic unit;

2) the project promises improvement in the long-run economic outlook of the community; and

3) the funds are not available on reasonable terms from private sources.

VII. Budgetary Costs of Proposed Program

A. A revolving fund of, say, $25,000,000 would be needed for AAD loans.

B. An annual appropriation to AAD of, say, $3,000,000 would be needed for technical assistance (including planning grants) and general administration

C. Some increase in the budget of the Labor Department, in connection with its information, apprenticeship, and vocational education programs, may be needed to enable it to carry out its functions under this program.

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CI - 30

October 5, 1955

The White House

Washington

THE CABINET

Review of Real Property Holdings

For information of the Cabinet, attached is a brief, together with a draft circular prepared by the Bureau of the Budget. This circular is designed to further the implementation of approved Cabinet Paper 25, approved at the April 1 Cabinet Meeting (RA - 18, Item 4).

The draft circular has been checked with the agencies most concerned; it is presented to the Cabinet for information pursuant to the procedures outlined in RA - 31, Item 2.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

THE CABINET

Review of Real Property Holdings

Brief

Background: The Cabinet at its meeting on April 1, 1955, approved the recommendation to reaffirm clearly the policy of the administration that the Federal Government divest itself of real property holdings which are not needed (See CP-25 "The Program for the Disposal of Surplus Federal Real Property").

Discussion: The Director of the Bureau of the Budget is issuing a circular requesting the head of each agency to insure that intensified action is taken to identify and declare as excess unneeded real properties and setting forth general guidelines for accomplishing this objective.

Concurrences: The circular incorporates the suggestions of the principal agencies affected, to whom a draft was sent for review last June.

Attachment: Copy of circular to be issued by the Director of the Bureau of the Budget.

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington 25, D. C.

CIRCULAR NO. A-

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Review of real property holdings

1. Purpose. It is desirable that the Federal Government divest itself of real property holdings which are not needed. The head of each agency is requested personally to ensure that intensified action is taken to identify and declare as excess real properties which are not needed. The purpose of this Circular is to establish general guidelines for the accomplishment of this objective with respect to real properties within the continental United States, exclusive of the public domain.

2. Policy Guidelines. Real properties or portions thereof generally shall be declared excess when:

a. They are not being used by the owning agency and there are no approved plans for future use.

b. Substantial net savings to the Government would result if properties used for essential purposes were sold at their current market values and other suitable properties of substantially lower current values were substituted for them.

c. The costs of operation and maintenance are substantially higher than for other suitable properties of equal or less value which can be made available by transfer, permit, or purchase.

d. They are being leased to private enterprise but could be sold under provisions of the leases and in accordance with existing laws, if the Government's requirements for goods or services produced on such properties would be met satisfactorily with the properties in private ownership.

e. They are being used by the Government to produce goods or services which are available from private enterprise, except when it is demonstrated clearly in each instance that it is not in the public interest to obtain such requirements from private enterprise.

3. Financing Arrangements. It is recognized that, in some instances, action cannot be accomplished in accordance with these guidelines without first incurring expenses for which appropriate financing arrangements or legislation must be obtained. There should be no delay, however, in making the necessary studies and in submitting proposals for such financing arrangements or legislation, including estimates of replacement costs and ultimate net savings, as part of the budget submissions.

4. Implementation. The head of each agency should ensure that:

a. Instructions and criteria are developed and issued for the application of the guidelines established herein. It is requested that copies of such criteria and instructions be sent to the Bureau of the Budget by November 30, 1955.

b. Thorough reviews of real property holdings are initiated promptly and carried through on an annual basis.

c. Properties or portions of properties are declared excess without delay if continued ownership is not justified.

By direction of the President.

CABINET PAPER

For Information

ROWLAND R. HUGHES
Director

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CI - 32

October 11, 1955

The White House

Washington

THE CABINET

Suggestions for Reorganization Plans

For information of the Cabinet, attached is a brief statement on the above subject which has been prepared by the Bureau of the Budget.

This statement is in effect an invitation to the Cabinet Departments (also to be extended to the non-Cabinet Agencies) to come forward with proposals, suitable for reorganization plan action, in addition to their respective comments on the proposals of the Hoover and Kestnbaum Commissions. The purpose: to ensure that reorganization plans sent to the Congress next year are not scattershot but as all-inclusive as possible.

The attached statement is being circulated as background and support for the remarks on this subject by the Acting Director of the Bureau of the Budget at the coming Cabinet Meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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The Reorganization Act of 1949, as amended, (5 U.S.C. 133 et seq.) directs the President (1) to examine and from time to time reexamine the organization of executive agencies, (2) to determine what changes therein are necessary to accomplish the purposes stated in section 2(a) of the Act, and (3), whenever, after investigation, he finds so doing necessary to the accomplishment of those purposes, to prepare and transmit reorganization plans to the Congress.

In order that a report may be prepared for the President regarding actions which may usefully be taken under the Reorganization Act during the next regular session of the Congress to improve the organization and management of the Government, Department and Agency Heads are requested to initiate an appropriate review within their agencies and to report to the Bureau of the Budget not later than November 15, any proposals they deem desirable for reorganization plan action.

Agency reports will be reviewed and consolidated by the Bureau of the Budget and placed before the President's Advisory Committee on Government Organization in order that the President may have the recommendations of that Committee regarding the reorganization program for 1956.

Each Department's and Agency's report should, of course, include any reorganizations recommended by the Commission on Organization of the Executive Branch of the Government or the Commission on Intergovernmental Relations on which it is deemed desirable to proceed by reorganization plan. In proposing any such reorganization, a Department or Agency may, if convenient, refer simply to the comments it has already submitted under Bureau of the Budget Bulletin No. 55-5, dated March 4, 1955, or Bureau of the Budget Bulletin No. 56-4 dated August 24, 1955.

Before making this report, Department and Agency Heads may wish to reexamine the items contained in their present and prospective legislative program and determine whether any of them could be effected more conveniently and expeditiously by the reorganization plan procedure than by legislation.

The Reorganization Act specifically authorizes five basic types of actions termed "reorganizations" which may be taken by reorganization plan. These are (1) the transfer, (2) consolidation, (3) coordination, or (4) abolition of the whole or any part of any "agency" or of the functions of any "agency," and (5) the authorization of any officer to delegate any of his functions. "Agency" is defined as "any executive department, commission, council, independent establishment, Government corporation, board, bureau, division, service, office, officer, authority, administration, or other establishment, in the executive branch of the Government, and any . . . . and all parts of the municipal government of the District of Columbia except the courts thereof . . . ."

In addition, the Act authorizes several other types of actions by reorganization plan when incident to any of the five basic "reorganizations." These incidental reorganization actions are (a) changing the title of an agency or its head when made necessary by a "reorganization," (b) providing for the appointment and compensation of officers made necessary by a "reorganization," (c) providing for the transfer of related personnel, property, records, and unexpended balances of appropriations and other funds, and (d) providing for terminating the affairs of an agency abolished by a reorganization plan.

The word "functions", as used in the Act, may be considered as including powers, duties, authority, responsibilities, and discretion.

For the answers to any questions regarding the kinds of actions that may be taken under the Reorganization Act, contact Mr. William F. Finan, Bureau of the Budget, Code 189, extension 416.

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CA - 34

October 19, 195

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, October 21, 1955

1.	Report from Denver	(Oral)	The Assistant to the President
2.	Comments on the Coming Foreign Ministers' Conference at Geneva	(Oral)	The Secretary of State
3.	Round-Robin Status Report on Budget and Personnel Economies	(Oral)	The Vice President The Members of the Cabinet
4.	The Labor Department's Legislative Program	(Oral)	The Secretary of Labor

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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DETERMINED TO BE AN
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E.O. 11652, Section 1
By LHC NLE, Date 8-6-76

MINUTES OF CABINET MEETING

October 21, 1955
9:05 A. M. -- 11:00 A. M.

The following were present:

Vice President Nixon
    (Presided in absence of the President)

Sec. Dulles (in part),
    and Under Sec. Hoover
Sec. Humphrey
Sec. Wilson
Deputy Atty. Gen. Rogers
    (for Mr. Brownell)
Mr. Summerfield
Under Sec. of Interior Davis
    (for Sec. McKay)
Sec. Benson
Under Sec. of Commerce Williams
    (for Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Hughes
Dr. Flemming
Chairman Young
Dr. Burns

Gov. Adams
Gen. Persons
Mr. Rockefeller
Mr. Morgan
Mr. Harlow
Mr. Martin
Dr. Hauge
Gov. Pyle
Mr. McCann
Mr. Snyder
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

State of the Union Message - Gov. Adams reported on the President's increasing interest and activity in governmental business and especially his confidence and optimism for the future. The Governor stated that the President wished to get started on the general scope of the State of the Union message and that White House staff will confer with him next week.

Sec. Humphrey asked for future Cabinet discussion of the substance of the tax reduction issue. Mr. Summerfield wanted future discussion of postal rates, and Sec. Wilson of disposition of Government-operated plants. The Vice President requested Mr. Rabb to check all Cabinet members to determine what controversial subjects should be put on the agenda prior to the State of the Union message because of the impact they will have on the general tone of the message.

Toward the end of the meeting the Vice President indicated the need for

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discussion and decision as to the general nature of the message even before the Cabinet begins discussion of specific departmental programs. The Vice President and Gen. Persons pointed to differing Congressional beliefs on whether the message should include great numbers of requests.

International Developments - Sec. Dulles discussed the agenda for the Geneva Conference of Foreign Ministers, and noted particularly the probable Russian desire to avoid discussion of German unification. He believed the conference would be successful if it could achieve discussion of this subject. He noted the conflicting views on the disarmament item as to whether inspection controls preceded disarmament or vice versa. In regard to East-West contacts, he indicated that Russia would desire to talk mostly about increased trade whereas the United States wished to emphasize exchange of information.

Sec. Dulles stated that he had discussed these matters thoroughly with the President and with the Congressional leaders. The latter had given much support. The Vice President then read a letter from the President expressing complete confidence in the Secretary of State and urging clear understanding of the fact that he speaks with full authority for the country.

Sec. Wilson noted the scheduled meeting of Sec. Dulles with Italian officials and offered to provide a pertinent paper which came out of the NATO Defense Ministers meeting. Sec. Benson offered to provide a memorandum on the potential for trade between Russia and the United States as related to agricultural products. Mr. Dulles was particularly interested in what items we might obtain from Russia in any barter transactions.

Soviet Social Invitations - The Vice President called attention to invitations from the Soviet Embassy to top Government officials to attend certain functions. Sec. Dulles believed it best to avoid top level attendance since photographs of the occasion would undoubtedly be exploited by the Soviet among satellite peoples.

Budget and Personnel Economies - In this round-robin each member of the Cabinet reported on his agency's situation and accomplishments in budget and personnel economies. With few exceptions, each pointed out the increased work load of the agency resulting either from new programs superimposed by Congress or requested by the Administration to meet the needs of our expanding population. Major economies were foreseen by the Secretary of Agriculture with respect to CCC programs. Special attention was given to the Defense Department circular letter on reduction of expenditures through which it is hoped to accomplish a 2% reduction in each three month period remaining in this fiscal year. Mr. Summerfield emphasized the need for postal rate increases.

In summary, Director Hughes foresaw savings of $700 million, without reference to what might be achieved in the Defense, ICA, and HEW

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By DHC NLE, Date 8-6-76

programs or in regard to national debt interest charges. He hoped Sec. Wilson could achieve another $1 billion in economies without in any way affecting national defense strength.

Chairman Young summarized personnel trends as showing a continued slow downward course.

Sec. Wilson urged more use of the "corporation" approach as a means of determining clearly whether supposed income producing activities do more than pay their administrative costs. He also called attention to the contradictions inherent in subsidies for the training of Merchant Marine officers. Mr. Williams noted Commerce's efforts to straighten this out. Sec. Mitchell requested advice in regard to the Davis Committee hearings on reduction of Government personnel. Mr. Rogers indicated that the Working Committee on Investigations had developed a general approach and should be consulted by any Cabinet members called upon to testify. It was agreed also that the several letters received by Cabinet members from the Davis Committee should be answered individually after coordination with the Working Committee.

All Cabinet members agreed on the need for constant vigilance in these matters to prevent the economy program from slipping backward.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

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THE WHITE HOUSE
WASHINGTON

October 22, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of the October 21 Cabinet Meeting

1. Report from Denver

Governor Adams reported your interest in reviewing, soon, the basic content of the State of the Union Message.

The Cabinet instructed me to consult with each Department Head to identify basic policy questions which require Cabinet review prior to January, and to develop a schedule for their consideration.

Among such basic problems already foreseen are:

(a) Taxation policies;

(b) Whether to propose increases in postal rates;

(c) How to go ahead with either streamlining or getting rid of those Government-operated plants which the Government should no longer retain.

2. Comments on the Coming Foreign Ministers' Conference at Geneva

Secretary Dulles summarized for the Cabinet the general United States posture at the coming meeting in Geneva. He reported that his consultation yesterday with the

2. (cont.)

Congressional leaders resulted in wide support for our position. Proposals for eliminating fingerprinting and increased authority for bartering surplus agricultural commodities were received favorably by the leaders, with the caution, of course, that they could not commit the Congress.

The Vice President read your letter and the Cabinet added the expression of its full support and confidence in the Secretary for his vital mission.

The Secretary sounded a warning against Cabinet-level officers accepting invitations to the USSR's annual reception on November 7 -- stressing that the Soviets will exploit any photographs or names they can obtain from that event. The Cabinet fully concurred with the Secretary's recommendation, which incidentally included the suggestion that your son refrain from attending.

3. Round-Robin Status Report on Budget and Personnel Economies

Mindful of your determination to reduce expenditures and of your deep interest in curbing new hiring, reiterated to us only last week, the Cabinet was presented with a frank and full status report on accomplishments. To underscore the personal responsibility which each Department head bears for making these efforts succeed, the round-robin technique of progress reporting was used this morning -- with real success, because it meant the participation of every Member of the Cabinet.

Director Hughes, in winding up this status report, gave the following summary and conclusions:

(a) Reductions in operating expenses have been pretty small, but the Cabinet's

3. (cont.)

serious and thorough efforts have kept down a curve which might otherwise have arisen.

(b) The savings in program expenses, as reported around the table, may total $771 million, or 4.7 percent (excluding Defense, Mutual Security, HEW and Treasury's interest).

(c) Defense's impressive effort gives us good expectations of substantial savings -- without affecting the defensive strength of our nation.

(d) Presenting a balanced budget to the Congress next year will make it far easier for us to take a "hold the line" position, than if we ourselves present a deficit. There is still much more to be done, however, before our budget goal is reached.

Chairman Young analyzed the total government employment figures with the conclusion that there has been a net drop of 2% since last January 1 in permanent government employment.

The Cabinet agreed that continued vigilance for economy is still indispensable on the part of every officer of the Government.

4. Response to the Davis Committee Investigation

Under the Chairmanship of Representative James Davis, (D. Georgia) a Sub-Committee of the House Post Office and Civil Service Committee is making an investigation of

4. (cont.)

personnel cuts which can be made in the Executive Branch. Extensive data has been requested from each of the agencies and the Committee has predicted publicly that it is going to show the Administration how 10 percent of its personnel can be cut out -- with the Committee then taking the credit for this economy.

It was agreed that the responses from each Department are to be coordinated through the informal committee which the Cabinet set up at your request last July 29. It was also agreed today that, in order to keep the Davis Committee from capitalizing on the Administration's own efforts and initiative, these responses are to emphasize that the Administration has long been engaged in a continuing effort to reduce government employment, has made an outstanding record in this regard, and will, of course, cooperate with the Sub-Committee in making further reductions, if possible.

5. Getting Rid of Incompetents

Postmaster General Summerfield asked if a study could not be made of ways in which the Civil Service and veterans' preference dismissal procedures could be simplified in order to make it easier to get rid of employees who are truly incompetent.

M.M.R.

Maxwell M. Rabb
Secretary to the Cabinet

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RA - 34

October 21, 1955

The White House
Washington

THE CABINET

Record of Action

The following action was taken on the items presented at the Cabinet Meeting of October 21, 1955:

1. Report from Denver

/Information item only/

2. Comments on the Coming Foreign Ministers' Conference at Geneva

ACTION: Reaffirming the sentiments in the President's letter of October 19, which was read aloud, the Cabinet expressed its full and sincere support for and confidence in the Secretary of State on the eve of his departure for Europe and the Geneva Foreign Ministers' Conference.

3. Round-Robin Status Report on Budget and Personnel Economies

ACTION: The Cabinet noted the respective progress reports given, and also the over-all summaries concerning spending and personnel presented by Director Hughes and Chairman Young. Results apparent to date:

(a) Minimal savings in operating expenditures,

(b) Savings now estimated, in program expenses, of $771 million or 4.7 percent (excluding Defense, Mutual Security, Health, Education, and Welfare, and Treasury interest).

(c) A drop of some two percent since January 1, 1955 in permanent government employment.

The Cabinet agreed that continued vigilance for economy is still indispensable on the part of every officer of the Government.

4. The Labor Department's Legislative Program

/Postponed until next week/

CABINET PAPER

For Action

ADDITIONAL ITEMS:

A. Cabinet Consideration of Basic Policy Questions

ACTION: The Cabinet instructed the Secretary of the Cabinet to consult with each Department Head to identify basic policy questions which require Cabinet review prior to January, and to develop a schedule for their consideration.

B. Executive Branch Responses to the Davis Committee Investigation

ACTION: It was confirmed that the Departments would reply individually to the queries from Chairman Davis, that these replies would be coordinated through the special committee chaired in Justice (c.f. RA - 28, Item 2 (a)), and that each of these replies should stress the past and present record in economy which the Administration is making.

Maxwell M. Rabb
Secretary to the Cabinet

October 19, 1955

MEMORANDUM FOR THE VICE PRESIDENT

THROUGH: General Persons

SUBJECT: Proposed Agenda for the Cabinet Meeting of October 21

The following items are, subject to your approval, proposed for the Cabinet Meeting at 9:00 a.m., on Friday, October 21:

1. Report from Denver (The Assistant to the President)

This item is periodic and gives the Governor, others who have visited the President, and the rest of the Cabinet an opportunity to exchange information about developments in Denver.

2. Comments on the Forthcoming Foreign Ministers Conference at Geneva (The Secretary of State)

The Secretary, about to leave for overseas, will give his Cabinet colleagues a brief description of the international situation now forming the backdrop for the Foreign Ministers Conference and of some of the expected developments at the Conference itself.

Time set: 15 minutes

3. Round-Robin Status Report on Budget and Personnel Economies (The Vice President
The Members of the Cabinet)

As a specific follow-up on the several Cabinet decisions in recent weeks to reduce spending and to curb new hiring, each

3. Round-Robin Status Report on Budget and Personnel Economies (cont.)

Cabinet Member has been asked to make a two-minute oral report on his accomplishments in this regard. In order to make these reports as uniform and comparable as possible, each Cabinet Member has been asked to cite two pairs of statistics:

(a) The authorized level for his Department's expenditures for FY 56 (taken from the mid-year Budget Report).

(b) The actual or estimated savings or excesses now reportable.

And

(a) The personnel strength of his Department as of January 1, 1955.

(b) His Department's present personnel strength.

Chairman Young will supplement these personnel statistics with a comparable report on total government employment. This series of reports may, in fact, show that expenditures and numbers of personnel are moving up rather than down. In order to chart realistically our future courses of action toward balancing the budget, a frank current appraisal is indispensable.

Notes will be taken of these oral reports so that a full summary can be sent to the President.

Estimated time: 45 minutes

4. The Labor Department's Legislative Program (The Secretary of Labor)

After talking with Governor Adams, the Secretary of Labor wishes to go over with you and the Cabinet the major elements of his Department's 1956 legislative program.

OTHER POSSIBLE ITEMS:

A. A Report from Mr. Hoover on his Trip to the Far East

In connection with Item 2, Mr. Hoover may supplement the Secretary's remarks by making some observations concerning the trip to the Far East from which he has just returned. At State's request, this report will not actually be listed on the Agenda.

B. The Davis Committee Investigation

It will be very likely that in connection with Item 3, mention will be made of the current investigation by the Davis Sub-Committee of the House Post Office and Civil Service Committee. This investigation is avowedly aimed at reducing Federal personnel by some ten percent. There are two aspects of this investigation which could come up for Cabinet discussion:

(1) Whether the Executive Branch personnel, who are now detailed on the staff of the Davis Committee, should in fact be withdrawn in accordance with the Cabinet decision of two weeks ago (RA - 32, Item A).

(2) How to handle the Committee's requests for information, and its hearings -- now planned to start on December 2 -- in relation to our own efforts to reduce personnel.

Maxwell M. Rabb
Secretary to the Cabinet

THE SECRETARY OF DEFENSE
WASHINGTON

14 October 1955

MEMORANDUM FOR THE SECRETARY OF THE ARMY
THE SECRETARY OF THE NAVY
THE SECRETARY OF THE AIR FORCE
THE ASSISTANT SECRETARIES OF DEFENSE
THE GENERAL COUNSEL

SUBJECT: General Guidelines for FY 1956 and 1957

During recent years, considerable progress has been made in strengthening our military forces and gearing our programs to the "long pull." Obviously, this process must be continuing, rather than static, and there is need at this time for further review of our programs in order to improve their efficiency and effectiveness and at the same time assure that they are oriented as closely as possible to current Administration policy and world conditions.

In making this review, consideration must be given to the maintenance of a high level of effective strength within the limits of the national resources that are made available for military purposes.

Recognition must be given to the need, under current world conditions, for flexibility of forces and planning, and to the fact that true security for our country must be founded not only on military readiness but also on a strong and expanding economy, readily convertible to the tasks of war. In the appraisal and orientation of defense programs under this concept, considering the increased capability of our forces resulting from the availability of new weapons and the generally satisfactory state of readiness and stock position, the following factors will be taken into account:

BROAD OBJECTIVES

Continued emphasis is to be placed on maintenance and modernization of the combat forces that are required for the initial phases of hostilities, but consideration will be given, however, to what in some cases can be a more gradual approach to achievement of objectives, and to restricting or levelling off other activities. Critical examination is to be made of current plans for support forces and the accumulation of mobilization reserves to assure that they are established at minimum feasible levels, within the requirements of the Logistic Annex to the Joint Mid-Range War Plan. Where mobilization reserve levels presently represent substantial inventories, delivery of material on order will be delayed to the extent possible without incurring substantially increased unit costs, and the placing of unnecessary follow-on orders will be avoided. Only where, upon careful examination, there is found to exist an urgent deficiency - generally newly adopted items - will the accumulation of mobilization reserve material be continued beyond minimum rates. Support and overhead expenses will be curtailed to the maximum extent not tangibly affecting combat readiness.

TYPE AND CHARACTER OF OBJECTIVES, BY CATEGORY

I. Military Personnel

a. Initiate immediately a program to identify military personnel assigned in excess of the minimum needs of support activities - with particular emphasis on overhead type functions. Field review groups shall be established to make on-the-spot examinations of all activities in order to ascertain the validity of existing TO/E's, TO's and individual assignments in order to adjust same so that only minimum personnel requirements are met and the numbers of personnel in excess of such requirements are identified for reassignment or release.

b. Critically review educational and training requirements and assure that trained personnel are being used to the maximum extent in their specialty.

c. Reduce rotation rate by stabilizing tours of duty to improve personnel utilization and reduce transportation expenditures.

d. Arrange to provide leave for personnel during periods of active duty and otherwise reduce mandatory terminal leave expenditures.

e. Adopt promotion policies and standards which insure promotion of only well qualified personnel.

f. Reenlist only those personnel who, because of their qualifications, can clearly contribute to the mission of the service.

II. Operation and Maintenance

a. Provide a general tightening up of approval of flight time (with particular attention being given to the reduction of proficiency and nonessential flying), steaming hours, training time, field exercises, maintenance standards, and other programs consuming personal services and soft goods, with the objective of facilitating reduction of the number of personnel and contractual services and the consumption of soft goods to the extent this can be done without tangibly affecting combat readiness.

b. Restrict overhaul and modification programs (whether in government-operated facilities or under outside contract) to equipment for current requirements, i.e., peacetime requirements plus only those mobilization reserves planned for utilization by D/6.

c. Reduce stock levels of spare parts, components and soft goods and pipelines of material to the maximum extent possible consistent with the maintenance of necessary readiness.

d. Reduce the number of headquarters and other installations and offices to the maximum extent consistent with necessary support for combat forces, and other essential activities.

e. Vigorously implement cross-servicing and eliminate duplicating facilities and activities wherever possible.

f. Reduce to the minimum the number, scope, and cost of improvement projects for real property.

g. Increase self-maintenance of ships, aircraft, major equipment, and posts, camps and stations to the maximum extent consistent with the maintenance of combat effectiveness, and within current policy relating to the use of troop labor.

h. Declare for salvage over-age and obsolete type aircraft and engines. Also declare for salvage all spare engines and aircraft spares surplus to all requirements.

i. Reduce transportation costs, including airlift, to the minimum necessary to meet essential needs. Criteria will be established for use of premium-type transportation to assure that such service is utilized only to meet emergencies or where its use is economically sound.

j. A number of surveys and reports indicate that substantial reductions in the numbers of civilian personnel can be made. As a target, reduce on a selective basis total civilian personnel, exclusive of those employed in civil functions, from the number employed as of 30 June 1955 (1) by 2% by 31 December 1955, (2) by an additional 2% by 31 March 1956, and (3) by at least an additional 2% by 30 June 1956. Such reductions are to be achieved to the maximum extent by attrition and without replacement by military personnel or substitution by contract operation. Any increase above these objectives must have the approval of the Secretary of the Military Department and the Secretary of Defense

k. Reduce temporary duty travel, requiring wherever practicable military and civilian personnel in a temporary duty status to utilize government quarters if adequate accommodations are available, except where the use of such quarters would adversely affect the performance of official duties.

l. Reduce the use of commercial communications services including toll calls, leased circuits, and equipment rental to minimum levels consistent with economical operation.

m. The use of contractor furnished maintenance personnel, such as field engineers and technical representatives, will be carefully evaluated and held to the minimum necessary to meet urgent requirements.

n. Rebuild, retrofit and modernization of items of equipment should be limited to items that will remain in the inventory for sufficient periods of time to justify these expenditures.

o. Replacement of communications equipment will be limited to those areas where substantial technological improvement has been achieved.

III. Major Procurement and Production

a. Review computations of requirements for initial equipping and utilization of conventional weapons to reflect in full the effect of the availability of more modern weapons on these requirements.

b. Evaluate all outstanding procurement and production contracts, project orders and plans for additional procurement, using as a basis the criteria outlined under "Broad Objectives." In addition, establish modified mobilization reserve requirements, taking into account such factors as obsolescence, storageability and military necessity, and allowing for phased modernization of inventories. Evaluate post M-day production acceleration factors in the light of modern industrial developments and reduction in procurement administrative lead-time.

c. Review all existing procurement, production and overhaul contracts and project orders, cancelling any portion of such contracts or project orders as call for material in excess of requirements under the new criteria outlined in III.b. above, except in such cases where termination charges would be inordinately excessive.

d. Review procurement of component parts production and reduce production rates to the level of the "bottleneck" components so as to reduce inventories and balance production.

e. Eliminate unnecessary multiple sources of supply, particularly where production rates are changed under these criteria, with due consideration for dispersion.

f. Reduce procurement of development-type items to the minimum level required for development and test.

g. Review the trends and status in the development of military equipment to insure that minimum stocks are accumulated of items which may be phased out because of recognized obsolescence in the near future.

h. Critically examine the levels of supply and inventory of stocks on hand, including spare parts and components, in relation to demonstrable needs and adjust buying programs to reduce stocks on hand as rapidly as practicable to reflect actual needs.

i. Restrict overtime, both for government employees and for work done under outside contracts, to those cases of true emergency or where over-all economy can be demonstrated (administrative procedures should be clear as to who authorizes overtime).

j. Restrict modification of in-service aircraft and component equipment to that required for safety of flight and combat effectiveness.

k. Re-screen aircraft procurement programs for equipment and facilities, training items, ground-handling equipment, service test models, etc., to eliminate marginal items.

l. Restrict procurement of spares for aircraft and aircraft engines to those required for operational and overhaul requirements as modified by program adjustments, to cover only initial requirements until valid criteria for usage can be developed.

m. Revise schedules for procurement of spare parts for aircraft and aircraft engines to meet actual overhaul needs, rephasing schedules for procurement of such spare parts to reflect shorter overhaul and installation lead-time in overhaul operations.

IV. Military Construction

a. Review and implement all construction programs under the principle of "first things first" in line with the criteria outlined above under "Broad Objectives." With respect to family housing and barracks for enlisted men, areas where the need is most critical should be taken care of first. Items which, while contributing to the state of readiness, are not of primary importance in the support of essential military plans and operations should be rescheduled for later accomplishment or dropped.

b. Construction involving replacement of substandard facilities, for which firm construction bids have not yet been solicited, should not be undertaken until there has been a reexamination of the relative necessity and urgency of the proposed construction, particularly if facilities previously classed as substandard have recently been renovated or rebuilt.

c. Critically reexamine construction requirements for interim or short-range tactical projects. Provide only emergency-type construction at such sites making maximum use of prefabricated, salvageable construction.

V. Research and Development

While high priority projects of the Research and Development program are to have continued emphasis, an examination will be made to identify possible areas where continued efforts over the years have yielded little real benefit and now show little indication or promise of contributing significantly to our future military effectiveness. Examination will also be made to ascertain areas where benefits have been derived in the past but where a point of diminishing returns has been reached and continued high levels of effort are unlikely to prove of further significant benefit. In still other instances, the contribution of certain research and development efforts may lead only to marginal improvements or may be related to weapons or equipment likely to become obsolete in the near future. It will be necessary to identify such programs which should be eliminated and/or substantially reduced so that higher priority programs can be adequately supported within the approved level of expenditures.

VI. Establishment-wide Activities

Programs involving expenditures under this category will be carried out in consonance with the criteria outlined above wherever applicable.

VII. Stock Fund Inventories

a. Operating stock levels of items in stock fund inventories should be carefully reviewed in the light of past issues, usage data, planned requirements, availability of the items and ease of replacement with the idea of reducing them to the minimum level consistent with operating requirements.

b. The need for mobilization reserves of stock fund items should be carefully reviewed. Where it is ascertained that mobilization reserve stocks are absolutely essential and cannot be quickly obtained from civilian production, they should be held to a bare minimum and great care should be exercised not to purchase additional quantities when substantial quantities are already on hand or on order.

VIII. Production Facilities and Tooling

Additional production facilities and tooling shall only be undertaken after demonstration of the need thereof and after thorough examination of the availability of the existing resources of all Services and of private industry, and then only upon approval by the Secretary of Defense.

IX. Legislative Program

Recommendations for legislation for inclusion in the Department of Defense Legislative Program should be made only after definitive cost estimates have been prepared and careful consideration has been given to budgetary implications and the priority relationship of the recommended programs to other Department of Defense programs which require financing.

C.E. Wilson

DRAFT

PROPOSED REMARKS FOR THE VICE PRESIDENT IN INTRODUCING ITEM THREE

CA-34

Gentlemen:

As the Cabinet Records of Action have indicated on several occasions over the past three months, the President has asked us to make every effort to reduce expenditures promptly and curb the hiring of new personnel.

In August, as you will remember, he set a target of three months for the lowering of expenditures, and as recently as last week, he sent us the message that this request to curb new hiring is still, as he said, "an obsession" with him. His objective, which all of us share, is to redeem our pledge to balance the Federal Budget, without, of course, impairing the essential functions of government.

The purpose of this item this morning is to give the President a collective and frank status report, now that those three months are nearly up, on what we have been able to do both on the score of reducing expenditures and of reducing new hiring.

At my request, the Cabinet Secretariat notified each of your Departments early this week that we hoped to make this status report in round-robin style -- with a two-minute oral statement from each Cabinet Member. For maximum uniformity and comparability we suggested that each of you build your report around two pairs of statistics -- concerning expenditures and personnel strength respectively. For expenditures, we would like each of you to cite your Department's authorized appropriation level for FY 1956, as given in the Mid-Year Budget Review, and then the actual or estimated increases or decreases now reportable. For personnel, we would like to have the personnel strength as of January 1, 1955, as compared with the latest available figure. Mr. Young will be able to give us the over-all government totals for the same dates, and Director Hughes will be able to sum up the significant expenditure figures for the non-Cabinet agencies.

I have asked Max Rabb to have full notes taken in order that a complete summary can be sent to the President tomorrow.

We want these figures to be perfectly candid. If, for various reasons, we find that both expenditures and personnel strength are actually rising, then we should lay these facts on the table in order to consider our courses of action realistically.

Mr. Secretary of State, will you lead off?

[and, in order:
TREASURY, DEFENSE, JUSTICE, POST OFFICE, INTERIOR,
AGRICULTURE, COMMERCE, LABOR, HEW, ODM, BUDGET,
WIND-UP: MR. YOUNG, MR. HUGHES]

SUMMARY OF CABINET MEMBERS' COMMENTS ON BUDGET AND PERSONNEL ECONOMIES

STATE:

In Mr. Hoover's opinion, State has been operating for years on a shoestring and is particularly deficient in trained personnel in these days of increased international tension all over the world. State's figures include a proposed supplemental of seven million dollars to cover increased operating expenses, and to go ahead with its recruitment of young Foreign Service Officers at the entering level.

TREASURY:

Although Treasury has made a series of important savings in its operating expenses, increased hiring of revenue agents has resulted in a net gain of some 5% in total operating expenses. (There is a net gain of 220 personnel reflecting a cut of 780 in Treasury's non-revenue bureaus and an increase of 1000 in Internal Revenue and Customs.) With this increased manpower, however, the Revenue Service has uncovered an additional 132 million dollars in taxes. The 34 million dollar reduction showing in Treasury's figures represents increased receipts from RFC liquidation.

DEFENSE:

Defense is going over every item of operations, in accordance with the instructions which the Secretary of Defense has recently issued to the Service Secretaries. This review should bring further savings.

JUSTICE:

Justice expects to hold the line in expenditures, but will have an increase of 300 in its personnel. This comes from increasing the FBI staff, plus a small increase specifically appropriated by the Congress in the Office of the United States Attorneys which will help the latter reduce the congestion in the courts.

POST OFFICE:

Expected Post Office deficit is now $493,000,000. Increasing population means more mail; great growth in suburban housing means more deliveries, more personnel and more equipment. Increased efficiency, not cuts in service, Mr. Summerfield believes, is the only method of keeping expenses down. Any increase in rates obtained will, of course, reduce the above deficit.

INTERIOR:

Half of its budget is for public works construction. Interior expects to reduce its spending by two to three percent, in spite of predictable determined efforts by the Congress for increased public works spending and in spite of badly needed increases which will be made for National Parks and for handling the flood of land-use applications resulting from the new program permitting multiple use of public lands.

AGRICULTURE:

An eleven percent saving will be effected in total expenditures of $3,677,000,000 (including Commodity Credit Corporation), in spite of increased expenses for California forest fires, crop insurance loans, disaster loans, and a sum of $74,000,000 now set aside for the emergency purchase of hogs (when and if necessary).

COMMERCE:

The Secretary has discussed plans for a three percent reduction with each Bureau Head; some from curtailment in spending, more from postponed expenditures.

LABOR:

A 6.5 percent saving will be made in spite of increased programs of minimum wage inspection, aid for the aged, etc.

HEALTH, EDUCATION AND WELFARE:

HEW's expenditures will rise because of necessary increases in the polio program, in public assistance grants, and in the medical research and Indian health programs. Whether further increases for aid to schools will be made in the HEW budget is still undetermined and awaits Executive Branch policy decision.

OVERALL PERSONNEL:

Chairman Young reported that total government civilian employment as of August 31, 1955 was 2,372,000 -- an increase of 1% from the January 1, 1955 figure of 2,355,208. Adjusted to eliminate seasonal employment factors, however, the present figure of 2,372,000 represents a 2% drop, since January, in the number of permanent civilian employees.

Agencies	Expenditure Level Reported in the Mid-Year Budget Review	Latest Estimates -- as of October 21	Increases or Decreases
State	152	151	-1
Treasury (controllable)	549	515	-34 ****
Defense -- civil functions	556	552	- 4
Justice	212	212	0
Post Office	450	493	+ 43
Interior	568	557	- 11
Agriculture - including CCC	3,677	3,270	- 407
Commerce	1,316	1,319	+ 3
Labor (except the office of the Secretary)	480	450	- 30
~~HEW~~	~~2,147~~		****
AEC	1,900	1,750	-150
FCDA	65	65	0
GSA			
(Other than stockpiling)	192	190	-2
(Stockpiling)	700	509	-191
Expansion of Defense Production	197	162	-35
VA	4,809	4,800	-9
Other agencies:	601	658	+57
	16,424	15,653	-771

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CA - 35

October 25, 1955

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, October 28, 1955

1.	Report from Denver	(Oral)	The Assistant to the President
2.	Program for Assistance to Depressed Localities	CP - 37	The Chairman, The Council of Economic Advisers
3.	The Labor Department's Legislative Program	(Oral)	The Secretary of Labor
4.	Program for Federal Disaster Insurance	CP - 38	The Director, The Bureau of the Budget
5.	The Administration's Highway Program for 1956 -- Report of the Presidential Advisory Committee	(Oral)	The Secretary of Commerce
6.	Administration Position on Postal Rate Increases	CP - 39	The Postmaster General

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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By gHe NLE, Date 8-6-76

MINUTES OF CABINET MEETING

October 28, 1955
9:05 A. M. -- 12:00 Noon

The following were present:

Vice President Nixon
(presided in absence of the President)

Under Sec. of State Hoover
(for Sec. Dulles)
Sec. Humphrey
Deputy Sec. of Defense Robertson
(for Sec. Wilson)
Atty. Gen. Brownell
PMG Summerfield
Asst. Sec. of Interior Aandahl
(for Sec. McKay)
Under Sec. of Agriculture Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Hughes
ODM Deputy Director Cooley
(for Dr. Flemming)
Chrm. Young
Gov. Stassen

Raymond J. Saulnier, CEA, in part
F. J. Meistrell, HHFA, in part
Harold L. Aitken, FCDA, in part
Wendell Barnes, SBA, in part
F. C. Turner, Bureau of Public Roads, in part
Gen. Bragdon, in part

Asst. PMG A. J. Robertson, in part
Dr. Irving I. Raines, Post Office Department, in part

Gov. Adams
Gen. Persons
Mr. Rockefeller
Dillon Anderson
Dr. Hauge
Mr. Harlow
Mr. Morgan
Mr. Jack Martin
Gov. Pyle
Mr. Seaton
Mr. Snyder
Mr. McCann
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

The agenda was prefaced with remarks by Governor Adams on the President's progress and the expectation that he will begin to participate in Cabinet and NSC meetings about the first of the year.

The Vice President again called attention to ex-Sec. Durkin's illness and requested Mr. Rabb to prepare a letter to him which could be signed by all Cabinet members.

Depressed Localities (CP-37) - Dr. Burns reported progress on development of this program. He said that after further discussions following

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the last Cabinet meeting agreement had been reached on the major elements of the program and he had been able to inform the President of it while in Denver. The President himself had approved the public announcement of the program. Dr. Burns indicated that he and representatives of Treasury, Commerce and Labor had constituted a committee to work out the remaining technical questions and that a draft bill could be expected in several weeks. The President's Advisory Committee on Organization will be consulted to determine whether any parts of the program can be put into effect through use of a Reorganization Plan.

The Vice President noted the very favorable editorial comment on the program. Mr. Morse wished to emphasize more the fact that agricultural activity in areas near the cities concerned could be of much value, and consequently that Agriculture perhaps should be represented on the committee. Sec. Weeks believed the agricultural connection to be very small, and Sec. Mitchell stated that agricultural aspects might best be considered in connection with definition of chronically depressed areas. The Vice President suggested that this program and the rural development program be emphasized in speeches as showing the "heart" of the Administration.

Gov. Stassen again pointed to the desirability of associating this program with Members of Congress from depressed areas, and the Vice President asked Gen. Persons to arrange to do so at the appropriate time.

Labor Department Program - Sec. Mitchell presented for discussion the legislative items Labor Department expects to advance for the next session. He referred to, and the Cabinet accepted without comment, such items as legislation on pension and welfare plans, application of the eight-hourlaw in Federal projects, stimulus of industrial safety programs, transfer from Labor to individual departments of the charges for the Federal Employees Compensation program, longshoremen and harbor workers, extension of unemployment insurance to Puerto Rico, changes in the District of Columbia unemployment compensation program, transfer to the District of the local Employment Service Office now operated by the Department of Labor, establishment of a D. C. Commissioner of Labor.

In regard to extension of coverage of minimum wage legislation, Sec. Mitchell believed the Administration this year should recommend specific changes, but newly covered areas would not have to be subjected to the recently approved $1 minimum wage. Instead, Area Wage Boards would make appropriate recommendations. Sec. Humphrey believed such legislation could be interpreted against the Administration as undoing the recent increase of the minimum wage level, and that the establishment of the Wage Board principle undermined the principle of an established minimum wage. The Attorney General hoped that it would not be necessary to name specific industries open to new coverage. Mr. Stassen expressed agreement with the remarks of Sec. Humphrey and felt that Mr. Mitchell could cite to Congress existing facts but leave all determinations to the Congress.

Mr. Mitchell believed that the Wage Board principle would not weaken minimum wage principles, and he re-emphasized the belief that the Administration must in the coming election year be more specific in its recommendations than in the past. It was agreed that the Secretary of Labor should undertake to develop for future Cabinet review the precise language that would be used.

Sec. Mitchell then noted several items which might cause controversy -- unemployment insurance for ex-service men (to replace the benefits terminated by the blanket Executive Order of 1955 with regard to veterans benefits); judicial review of determinations by the Secretary of Labor in regard to qualification of State Unemployment Compansation practices; equal pay for women; possible regulation of transportation of migratory labor.

The Attorney General questioned whether a recommendation would be made for making Labor subject to anti-trust legislation this year. Mr. Mitchell answered that it would not.

In regard to changes in the Labor-Management Act, it was agreed that the President's requests of 1954 and 1955 should be repeated.

Sec. Mitchell suggested the possibility of greater recognition of unions of government employees. Mr. Summerfield reacted adversely, and the Vice President believed the question should be discussed further when more time is available.

The Vice President called attention to public opinion polls showing an increased feeling among workers that the Republican Party serves their interests best in economic matters, and a slight decrease of favor for the Democrats in that regard. Mr. Summerfield pointed to the vast improvement of feeling in a Michigan county where Sec. Mitchell had made many personal contacts.

Disaster Insurance (CP-38) -Director Hughes outlined the proposed disaster insurance program and emphasized that it was primarily an experimental program. Mr. Folsom suggested that any program would necessarily involve Government subsidy. Sec. Humphrey explained it would be merely a disaster fund for making gifts wherever disaster strikes, and that any effort to hold it to a purely insurance basis would necessarily fail. Gov. Stassen agreed and recommended as an alternative the development of a national disaster program, possibly through matching grants to the States. Sec. Morse noted the recurring deficits incurred by the experimental crop insurance program which failed to be a self-sustaining insurance type activity. Mr. Folsom referred to the Kestnbaum Committee statement on disaster assistance and Gov. Adams suggested that the plan be recommitted to the Budget for coordination with the findings of the Kestnbaum Committee. Sec. Weeks spoke in favor of State participation in any program. Mr. Robertson expressed favor for some sort of program to meet these human problems and thus prevent vast demands on the Corps of Engineers for uneconomic flood control projects in potential flash flood areas.

It was agreed that Budget should coordinate the matter further and in

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time for making recommendations at the Congressional hearings beginning October 31st.

Highway Program - Sec. Weeks reviewed the work of the Committee established in August following failure of the Congress to enact the recommended program. He said that the bond proposal had now been eliminated as a possibility, and that the Committee recommended a package of new or increased taxes so as to finance a $26 billion program for the intra-State system over a 15-year period. The taxes would include a 2¢ increase on gasoline, an increase on tires, a tax on camel back, and an increase of 2% on the excise tax on trucks and buses, bringing it up equal to the automobile excise. He wished to present this proposal to the Governors Highway Committee on November 3rd and invite their concurrence or submission of an alternative proposal which would not depend on deficit financing. He stated that the public opposition of last year to tax increases would not be in evidence this year.

Sec. Humphrey stated his full agreement with Sec. Weeks and his strong feeling that he had made a mistake in testifying for the bond proposal in the program last year. He now recognized that Congress could not be committed for future years to agreement that certain taxes should be levied for certain purposes, hence the proposed bonds would have been backed only by the good faith of the Government and general revenues. Gov. Adams asked and was assured that the tax increases would be devoted completely to the roads program, thus perhaps avoiding potential opposition of the States. Mr. Hoover believed the States that have already been very active in road building would protest further gas tax increases that would flow to States previously less active. Mr. Martin indicated that the matter of compensation for toll roads already built could be worked out subsequently.

The Cabinet gave its general agreement to this program for presentation to the Governors during the coming week.

Postal Rate Increases (CP-39) - The Postmaster General presented a series of charts showing the need for increases in postal rates.

The Vice President raised the question as to the desirability of incurring a fight on this issue during the next session, and suggested that Mr. Summerfield discuss the possibility of acting on the issue without incurring the inalterable opposition of the Democratic leadership. Mr. Summerfield stressed the urgency of being able to discuss this with the President over the week end. Gov. Stassen suggested the possible alternative of securing Democratic support for the establishment of a Bipartisan Commission and thus taking the traditionally controversial subject of rate-making out of Congress. Mr. Summerfield believed Mr. Rayburn would oppose such action. Sec. Humphrey -- speaking generally -- believed the Administration should work to balance the Post Office budget but that no decision should be made immediately on the

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details of proposals for doing so. The Postmaster General said he would welcome all possible suggestions on specifics, and it was agreed that the exact proposal to be made would be studied further.

Mr. Hughes cautioned against use in the charts of statistics reaching back to 1789 because of changing values of the dollar. Gov. Stassen believed the charts should be revised to show the situation between 1940-1945, even though it was an unusual wartime situation.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

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October 29, 1955

The White House

Washington

THE CABINET

Record of Action

The following action was taken on the items presented at the Cabinet Meeting of October 28, 1955:

1. Report from Denver

/Information item only/

2. Program for Assistance to Depressed Localities CP - 37

ACTION: The Cabinet noted with approval the report given by the Chairman of the Council of Economic Advisers:

(a) that the concurrence of the interested Departments and the approval of the President had been obtained for the general nature of a plan wherein

- (i) an Area Redevelopment unit would be established in the Department of Commerce with responsibility for coordinating existing government programs to aid depressed areas more effectively, and for furnishing these areas with the technical assistance needed to help regain their economic strength;
- (ii) a lending program would be instituted for depressed areas;
- (iii) the establishment of a new lending agency would be avoided;
- (iv) the lending authority would be administered by the Treasury Department;
- (v) it would be desirable to ask for a loan limit of $50 million rather than $25 million.

(b) that an informal interdepartmental group was now preparing draft legislation which would be available for discussion in about two weeks;

(c) that the President's Advisory Committee on Government Organization was to be consulted to consider how much of this program could be accomplished by Reorganization Plan.

3. The Labor Department's Legislative Program

ACTION: The Secretary of Labor will continue to develop his legislative program, taking into account the suggestions made during his preliminary discussion with the Cabinet, and will prepare appropriate draft legislation for the normal clearance procedure through the Bureau of the Budget.

4. Program for Federal Disaster Insurance CP - 38

ACTION: CP - 38 was recommitted to the Bureau of the Budget for further study, including consideration of the suggestions made at the meeting and of the analyses and recommendations made in related areas by the Commission on Intergovernmental Relations.

5. The Administration's Highway Program for 1956 -- Report of the Presidential Advisory Committee

ACTION: The Cabinet approved the following proposals of the Secretary of Commerce, Chairman of the Committee established on September 30, 1955, as a basis for presentation to the forthcoming meeting of the Governors' Conference Highway Committee:

a) That the Administration should advance a program covering the construction of the interstate highway system similar in scope to that of last year, and covering federal aid to other highways at approximately current levels, plus a cumulative increment annually.

b) That the federal government's share of the $27 billion proposed interstate system would be 90%, and the construction period would be 13 years.

c) That this federal share be financed from existing motor fuel taxes and such increased taxes as may be necessary after deducting other federal aid, to pay for the program on a current basis without any deficit financing.

6. Administration Position on Postal Rate Increases CP - 39

ACTION: (a) The Cabinet agreed with the objective stated by the Postmaster General: that the Post Office should be put on a self-sustaining basis.

(b) The Postmaster General will give further study to the most appropriate methods of accomplishing this objective, taking into account the suggestions made during the meeting.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

October 28, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of the October 28 Cabinet Meeting

1. Program for Assistance to Depressed Localities

Dr. Burns summarized the present shape of this program which he discussed with you earlier this week. He mentioned that an informal interdepartmental group was now preparing draft legislation. He also pointed out that the President's Advisory Committee on Government Organization was to be consulted to consider how much of this program could be accomplished by Reorganization Plan.

The Cabinet noted how strikingly this proposed program will give the lie to the charge that this Administration is cold to the needs of "the little people". The Vice President asked General Persons to have a careful review made of legislative sponsorship for this program -- in order that credit for it can be taken by friends of ours on the Hill.

2. The Labor Department's Legislative Program

Secretary Mitchell outlined in a preliminary way 13 points which he wished to propose for the Administration's 1956 legislative program. Among the major ones are:

(a) That registration and reporting be required for all welfare and pension funds.

(b) That the coverage of the minimum wage and fair labor standards act be extended.

While last year we took the position that extension of coverage should be "studied further", Secretary Mitchell feels that this year we, as administrators of the law, are going to have to make specific proposals. He is not recommending a dollar minimum for areas to be newly covered (since such a rate would be nearly destructive in some of those areas), but is recommending the setting up of wage boards which would hold hearings to determine the applicable minimum wage.

(c) Renewal of unemployment compensation rights for new veterans. (Only those signing up before January 1, 1955 now have such rights.)

(d) Equal pay for women.

(e) Repeat, without elaboration, our 1954 and 1955 position on the Taft-Hartley Law.

3. Program for Federal Flood Insurance

Mr. Hughes outlined a proposed program which, after discussion, the Cabinet decided needed further study with more attention given to the Kestnbaum recommendations. It was feared that the proposal was not insurance but rather an outright gift. Premiums will certainly not provide enough capital; claims from any really heavy damage will result in a straight drain on the Treasury. Some felt it might be better to establish a flood disaster fund on a matching basis with the states.

It was agreed we must come up with some program, however, since we may otherwise be nearly defenseless against the flood of demands which are going to come for billions to be spent by the Corps of Engineers in small local flood control projects.

4. The Administration's Highway Program for 1956 -- Report of the Presidential Advisory Committee

Secretary Weeks summarized the agreed conclusions of this Committee:

(a) That the Administration should advance a highway program of similar scope to that of last year;

(b) That the Federal Government's share of the $27 billion proposed interstate system would be 90 percent, and the construction period would be 13 years;

(c) That this share be financed by increasing the taxes on gasoline, tires, camelback, trucks and busses so that the federally financed construction in each of the 13 years is paid for on a current basis without any deficit financing.

The Cabinet agreed to his suggestion that at the meeting -- next Thursday -- of the Governors' Conference Highway Committee, he be authorized to outline this plan, try to sell it to them and tell them that if they could think up any better alternatives -- which excluded the method of deficit financing -- he would be happy to hear of them.

Secretary Humphrey commented that he has changed his mind completely about the advisability of financing this program with bonds issued against future taxes. Since the present Congress cannot commit future Congresses, the security for these bonds would be basically uncertain; it would be a very risky and unwise method of financing. Governor Adams emphasized that care should be taken to ensure that all the tax revenues collected under this program would be put back into highway construction. Although the Committee believed there would be no industry support for tolls as a financing method, this is not being excluded in Administration thinking.

5. Administration Position on Postal Rate Increases

The Postmaster General gave the Cabinet a persuasive chart presentation on the need for reducing the growing postal deficit. He pointed out that, to his knowledge, we are the only major country in the world which runs a postal system that doesn't break even. He proposed rate increases which would reduce the estimated $493 million deficit for this year to $112 million.

An independent commission would be established to set postal rates in the future, and keep them balanced with costs.

The Cabinet agreed completely with Mr. Summerfield's objective of getting the Post Office on a self-sustaining basis, but suggested that some soundings be taken of the legislative situation and that further thought be given to finding the most appropriate methods for reaching the agreed objective.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

October 27, 1955

MEMORANDUM FOR THE VICE PRESIDENT

Subject: Cabinet Agenda for Friday

The following subjects are scheduled for the Cabinet Agenda for the October 28 meeting:

1. Report from Denver — The Assistant to the President

   This is the weekly item which gives Governor Adams and the Cabinet an opportunity to exchange information on developments in Denver.

2. Program for Assistance to Depressed Localities — The Chairman, Council of Economic Advisers

   It was agreed on October 14 (RA - 33, Item 3), that Dr. Burns would give his paper (CP - 37) further study, in consultation with the interested Cabinet Members, and would present it again subsequently. Although he has discussed it with the President, a few points need further consideration.

3. The Labor Department's Legislative Program — The Secretary of Labor

   After talking with Governor Adams, the Secretary of Labor wishes to go over with you and the Cabinet the major elements of his Department's 1956 legislative program.

4. **Proposal for Federal Disaster Insurance** — The Director, Bureau of the Budget

As you know, Director Hughes and his staff has been formulating with the Agencies concerned, a legislative proposal for next year concerning disaster and flood insurance. A draft bill has been prepared. Since hearings are due to start on this subject during the week of October 31, this proposal needs to be submitted at this week's Cabinet Meeting.

5. **The Administration's Highway Program for 1956 - Report of the Presidential Advisory Committee** — The Secretary of Commerce

Pursuant to the Cabinet decision of September 30 (RA - 31, Item 3) the new Presidential Advisory Committee on the Highway Program has met several times and has prepared a proposal for the Administration's legislative recommendations concerning highways. Since the Governors' Committee Meeting at which highways will be discussed is planned for early November, the Cabinet specified that Secretary Weeks' Report was to be submitted to the Cabinet before November 3.

6. **Administration Position on Postal Rate Increases** — The Postmaster General

As Mr. Summerfield mentioned at Cabinet last week, this question is one of these basic issues which must be discussed and resolved before the new legislative year in January. In fact, he wishes to get a clear position on this matter before he sees the President in Denver on Monday. The Postmaster General is preparing a chart presentation for Cabinet Friday and has circulated specific recommendations for Cabinet consideration.

Maxwell M. Rabb
Secretary to the Cabinet

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CP - 37
October 12, 1955

The White House
Washington

THE CABINET

Program for Assistance to Depressed Localities

For consideration by the Cabinet, attached is a paper prepared by the Chairman of the Council of Economic Advisers.

This paper outlines the present programs of Federal assistance to improve local economic conditions, sets forth the principles which should underlie a new program and indicates the substance, procedures and cast of such a new program.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

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THE CABINET

Program for Assistance to Depressed Localities

I. The Problem

In spite of generally prosperous economic conditions in the Nation as a whole, some communities have experienced persistent and relatively high unemployment. The purpose of this memorandum is to describe a program for revitalizing the economic life of depressed local areas. The emphasis is on helping them to help themselves.

II. Present Programs of Assistance

The Federal Government already has several programs which are designed, or could be used, to improve local economic conditions.

1) Office of Defense Mobilization

Extra tax amortization benefits for new defense facilities located in labor surplus areas.

Preference to firms in labor surplus areas bidding on procurement contracts.

2) Department of Commerce (through Area Development Division)

On-the-scene technical assistance to State and local groups in planning for effective use of community resources.

Information on new product development, market expansion, etc.

3) Department of Labor

Information on community labor resources, industry needs, and job opportunities.

Information on successful community self-help programs.

Vocational training programs.

4) Small Business Administration

Loans made directly or in conjunction with private lenders, including local development corporations.

Management, technical, and product assistance.

Representation of the small business interest in government procurement.

5) Housing and Home Finance Agency

Advances (that is, interest-free loans) to State agencies for planning public works.

Loans to States, municipalities, etc., to help finance basic public works, such as water, sewer, and gas distribution systems.

Loans to colleges for housing and other facilities.

Payment of up to two-thirds of the net cost of an urban renewal project to a community.

Advances to municipalities for urban renewal planning grants for development planning in metropolitan areas.

6) Other Federal programs affecting local economic conditions include:

Grants-in-aid for vocational education and for construction of roads, airports, hospitals, public housing, etc.
Construction of post offices and other government facilities.
Stockpiling of critical and strategic materials.
Loans and other assistance to low-income farmers.

III. Principles Underlying New Program

Existing programs need to be supplemented and effectively coordinated in a realistic approach to the problem posed by local depressed areas. A program to accomplish this end is set forth below.

The program stresses five principles:

1) Depressed areas — that is, communities (or larger areas) that have experienced substantial and persistent unemployment — have the primary responsibility for planning and financing their own economic improvement.

2) The planning should aim at (a) lasting improvement rather than temporary relief, (b) the creation of new job opportunities rather than the mere transfer of such opportunities from one community to another.

3) Federal participation in any financial assistance program should be kept within modest limits.

4) The States should join with the Federal Government in any program of financial aid to communities.

5) Arrangements for Federal assistance should be made through broadly representative community organizations.

IV. Program Involves Federal, State and Local Participation

Three kinds of institutions are needed to carry out the objectives of this program:

1) An Agency for Area Development (AAD), preferably a new unit in the Commerce Department, to be headed by an Assistant Secretary appointed for this purpose. AAD would provide technical assistance (either directly or through financial grants for the purpose) to encourage planning for community development (see V, A, 1 below). It would also make capital improvement loans to help implement local development plans (see V, A, 2 below). AAD would have an Advisory Board composed of the Secretaries of Labor, Commerce, and Treasury, the Small Business Administrator, the Housing and Home Finance Administrator, and perhaps others.

2) State Development Commissions (SDC), new or existing agencies for dealing with AAD and with the local groups described immediately below.

3) Local Coordinating Committees (LCC), new or existing, broadly representative groups including such persons as local government officials and civic, business, and labor leaders. LCC's must be authorized by SDC's to act in behalf of communities.

V. Programs of Agency for Area Development

A. AAD would administer two new programs:

1) Technical assistance for community surveys and planning, including:

(a) study of the size, kind, quality, adaptability, etc., of the community's labor force, natural resources, industrial and other business facilities, public facilities, etc;

(b) drawing up a "balance sheet" showing the economic strengths and weaknesses of a community.

AAD might send its experts directly into local communities; or it might give the community a financial grant to cover cost of survey, etc.; or it might enter into contracts with university bureaus of business research (nearly all State universities have such units) for performing this function.

AAD might also enter into contracts with universities or research institutes for investigation of problems common to a number of communities (e.g., uses of resources and by-products, process development, and potential markets).

2) Capital improvement loans to:

(a) Private firms

(b) Ad hoc syndicates of firms

(c) Local or State development corporations

To satisfy the requirements of a community development plan, a capital improvement loan could be obtained through an LCC for any of the following purposes:

(a) purchase, rehabilitation, modernization, or adaptation to new uses of existing business plants and facilities;

(b) construction of new plants and facilities for use by new or existing firms;

(c) consolidation and preparation of tracts for use as industrial sites (including purchase of real estate, demolition, grading, extension of water lines and sewer systems, etc.)

Loans would be made for terms up to 25 years and would be subject to amortization. Interest rates would be established by the AAD Administrator in consultation with the Treasury.

An AAD loan would be not more than 25 percent of the estimated project cost. The State would be required, through its SDC or other designated agency (for example, a state development corporation) to pledge a minimum of 15 percent. The project originator would raise the remainder of the required funds.

B. Besides administering the above new programs, AAD would attempt to coordinate existing Federal programs for alleviating local unemployment, and to encourage State and local programs for this purpose. For example, AAD might call to a community's attention the desirability of organizing a skill improvement program (through the Department of Labor); or coordinating an industrial development plan with urban renewal (Urban Renewal Administration) and the expansion of basic public works (Community Facilities Administration).

C. To avoid duplication of effort, AAD should utilize the services, facilities, and information of other Federal agencies to the fullest possible extent.

VI. Procedures for Initiating New Programs

A. An application for AAD technical assistance could be made by an LCC upon determination by the Secretary of Labor that the community is eligible for consideration in view of its substantial and persistent unemployment. (Criteria should be more stringent than those now in use, e.g., by Office of Defense Mobilization.)

B. An application for an AAD capital improvement loan could be made by an LCC after it obtains:

1) a determination of eligibility by the Secretary of Labor as in VI-A above; and

2) a certificate of review and approval from its SDC, which pledges the State to subscribe at least 15 percent of the loan funds involved.

C. Before approving an LCC application for technical assistance or for a capital improvement loan, AAD should determine, among other things, that:

1) the community may properly be treated as an economic unit;

2) the project promises improvement in the long-run economic outlook of the community; and

3) the funds are not available on reasonable terms from private sources.

VII. Budgetary Costs of Proposed Program

A. A revolving fund of, say, $25,000,000 would be needed for AAD loans.

B. An annual appropriation to AAD of, say, $3,000,000 would be needed for technical assistance (including planning grants) and general administration

C. Some increase in the budget of the Labor Department, in connection with its information, apprenticeship, and vocational education programs, may be needed to enable it to carry out its functions under this program.

CABINET PAPER—PRIVILEGED
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CP - 38
October 25, 1955

The White House
Washington

THE CABINET

Program for Federal Flood Insurance

For consideration of the Cabinet, attached is a paper on a Federal flood insurance program prepared by the Bureau of the Budget in consultation with the Housing and Home Finance Agency and with other interested Departments and Agencies.

The paper is composed of a Brief, with two Attachments.

Attachment A is the text of a draft Bill.

Attachment B is a listing, with comments, of unresolved policy questions. The questions are those points of non-concurrence among the interested Agencies which raise policy issues. All the interested Agencies either favor or have no objection to the purposes of the bill.

This paper is being presented at this time in order that an Administration position can be made firm and principal witnesses decided upon and prepared -- in advance of the Hearings on this subject of the Senate Banking and Currency Committee, now scheduled to begin October 31, 1955. The President indicated that this would be done, in his letter of October 17 to Governor Roberts of Rhode Island.

The concurrence of the Cabinet is sought for the Recommendations of this paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

THE CABINET

Flood Insurance

BRIEF

Background: The President, in his letter of October 17 to Governor Roberts of Rhode Island on New England flood problems, announced that specific legislative suggestions on flood insurance would be submitted to the Senate Banking and Currency Committee, when that Committee starts its hearings. These hearings are now scheduled to begin October 31, 1955.

Discussion: The Bureau of the Budget has prepared a draft bill (Attachment A) providing for a limited, experimental program of flood insurance for real property and business inventories, including agricultural commodities and property owned by State and local governments. Because flood insurance is a new field, with much uncertainty about the premiums required and the demand for insurance at actuarial rates, the amount of insurance authorized initially is limited to $500,000,000; this limit may be increased with Presidential approval by amounts of $750,000,000 each in the following two years. The amount of insurance in favor of any person is generally limited to $250,000. A detailed report to the President and the Congress on the progress of the experiment is required after three years.

A Federal Flood Insurance Corporation is to administer the program. It is to be a constituent agency of the Housing and Home Finance Agency, which already has related responsibilities for housing, community facilities, community development, and mortgage insurance.

The bill provides that the premiums shall be adequate in the Corporation's judgment to cover all expenses and probable losses. To minimize the Government's role, the bill provides that (a) no insurance shall be issued if it is available on reasonable terms from private insurance companies; (b) the program is to be administered so as to facilitate, as soon as possible, the ultimate assumption by private insurance companies of flood risks; and (c) the Housing Administrator shall recommend by January 3, 1960, legislation to facilitate private assumption of flood risks and the ultimate termination of Federal insurance. As things now stand, the insurance companies have expressed unwillingness to provide insurance even on a reinsurance basis.

The bill requires the Corporation to consult with Federal, State, and local agencies responsible for flood control programs. To assure a broad enough basis for the initial experiment, the bill authorizes Federal agencies making or guaranteeing loans on property eligible for flood insurance to require that such property be insured.

Concurrences: All interested agencies either favor or have no objection to the purposes of the bill. The bill incorporates those suggestions of the interested agencies,* (to which a draft was sent for review on September 30) which the Bureau of the Budget considers desirable. The issues on which non-concurrence presents policy questions are discussed in Attachment B.

Recommendations: 1. That the President recommend to the Congress legislation for a Federal system of flood insurance along the lines of the attached draft bill. 2. That the Housing Administrator be required to make studies necessary to permit more detailed testimony at the next session of Congress.

Attachments: A - Copy of draft bill.
B - Unresolved Policy Questions.

* HHFA, Defense, SBA, Agriculture, AEC, Commerce, CEA, ODM, FCA, FCDA, Treasury, FDIC, FRB, GSA, HEW, FHLBB, Interior, Justice, Labor.

Attachment A

DRAFT
October 26, 1955

A BILL

To provide for a national flood insurance program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Flood Insurance Act of 1956".

DECLARATION OF PURPOSE

SEC. 2. It is the purpose of this Act to promote the national welfare by reducing the widespread economic distress suffered from time to time within the United States, its Territories and possessions, as a result of floods, and the attendant impairment of the free flow of interstate and foreign trade and commerce, by providing a limited and experimental program of insurance against certain flood risks.

CREATION OF CORPORATION

SEC. 3. There is hereby created a body corporate to be known as the Federal Flood Insurance Corporation (hereinafter referred to as the "Corporation") which shall be a constituent agency of the Housing and Home Finance Agency and subject to the supervision and direction of the Housing and Home Finance Administrator. The Corporation shall have succession until dissolved by Act of Congress. It shall maintain an office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or offices may be established by the Corporation in such other place or places as it may deem necessary or appropriate in the conduct of its business.

FUNCTIONS

SEC. 4. (a) To carry out the purposes of this Act, the Corporation is authorized to provide either insurance or reinsurance, or both insurance and reinsurance, under any plan of insurance as determined by the Corporation, against loss resulting from damage to or loss of real property or business inventories (including agricultural commodities, and property owned by the State or local governments) due to flood as defined by the Corporation occurring within the limits of the United States, its Territories and possessions: Provided, That no insurance or reinsurance shall be issued for losses resulting from (A) any hostile or warlike action by (i) any government or sovereign power (de jure or de facto) or any authority maintaining or using military, naval, or air forces, or (ii) an agent of any such government, power, or forces; or (B) any action taken by any Federal, State, or local government agency in hindering, combating, or defending against any such hostile or warlike action (whether actual, impending, or expected); or (C) disorder or other lawlessness accompanying the collapse of civil authority determined by the President to have resulted from any action referred to in clause (A) or (B) or from control by enemy forces.

(b) The Corporation shall from time to time prescribe (1) premium rates for each type of insurance and/or reinsurance which it shall make available under authority of this Act, and (2) the terms and conditions under which and the areas and subdivisions thereof within which each rate shall be applicable. All such rates shall be based upon consideration of the risks involved and shall be adequate, in the judgment of the Corporation, to cover all administrative and operating expenses arising under this Act, as well as reserves for probable losses, over a reasonable period of years. The Corporation may receive from or exchange with any State or Territorial insurance commission or agency or with any private corporation or association engaged in the writing of insurance against property loss within the United States such loss experience and other information as may be necessary for the establishment of such premium rates.

(c) The Corporation shall by regulation provide for the determination of (1) the types and location of property with respect to which insurance and/or reinsurance shall be granted, (2) the nature and limits of loss or damage in any area or subdivision thereof which may be covered by such insurance or reinsurance, (3) rates, terms, and conditions of such insurance or reinsurance, and (4) such other matters as may be necessary to carry out the purposes of this Act. The Corporation shall decline such applications and risks and shall establish from time to time such regulations with respect to the classification, limitation, and rejection of risks as it shall deem advisable for the purposes of this Act: Provided, That in determining premium rates and other policies, the insurance and reinsurance program shall be so administered as not to serve as an inducement for the maintenance or acquisition of real property or business inventories in areas which are subject to frequently recurring floods.

(d) In providing insurance and/or reinsurance the Corporation shall encourage the maximum participation of private companies. The Corporation may by contract arrange for the financial participation of private insurance companies or other insurers in the underwriting of risks assumed, and for their proportionate participation in premiums and in any profits or losses realized or sustained. The Corporation shall utilize the facilities and services of other public agencies, of private insurance companies, and of established insurance agents and brokers and established insurance adjustment organizations to the maximum extent which the Corporation shall deem practicable and consistent with minimum cost of providing insurance protection. The program shall be so administered as to facilitate, as soon as feasible, the ultimate assumption by private insurance companies of flood risks.

(e) The aggregate amount of insurance issued by the Corporation in favor of any person or any State, territory, possession, or the District of Columbia, or any political subdivision, shall not exceed $250,000: Provided, That the Corporation may issue blanket policies exceeding this limit to lending institutions covering property otherwise eligible for insurance pledged as security by the borrowers of the lending institutions. No claim shall be approved in an aggregate amount which exceeds the actual cash value or the cost of replacing, repairing, or rebuilding the damaged property with material of like kind and quality (less depreciation at the time of damage) whichever is lower: Provided, That the approved amount of any claim shall be reduced by $300 plus 10 per centum of the remainder, or by such larger amount or percentage as may be prescribed by the Corporation in the insurance contract. The Corporation shall prescribe such regulations applicable to reinsurance as it may deem appropriate to give effect to the intent of the limitations in this subsection. The Corporation may from time to time prescribe such regulations regarding coverage available to subsidiary and affiliated corporations or subdivisions as it shall deem appropriate to effectuate the purpose of this subsection.

(f) The Corporation, on and after the first day of the sixth month following the enactment of this Act, may provide insurance or reinsurance in an aggregate amount not to exceed $500,000,000 outstanding and in force at any one time, which limit may be increased, with the approval of the President, by further amounts not to exceed $750,000,000 each on July 1, 1957, and July 1, 1958.

MANAGEMENT

SEC. 5. (a) The management of the Corporation shall be vested in a Commissioner who shall be appointed by the Housing and Home Finance Administrator.

(b) To assist the Commissioner in the execution of the functions vested in the Corporation there shall be a Deputy Commissioner who shall be appointed by the Housing and Home Finance Administrator. The Deputy Commissioner shall perform such duties as the Commissioner may from time to time designate, and shall be acting Commissioner and perform the functions of Commissioner during the absence or disability of the Commissioner or in the event of a vacancy in the Office of the Commissioner.

(c) The basic rate of compensation of the Commissioner and the Deputy Commissioner shall be the same as the basic rates of compensation established for the heads and deputy heads of the constitutent agencies of the Housing and Home Finance Agency.

(d) There is hereby established the Advisory Board of the Federal Flood Insurance Corporation, which shall be composed of not less than five nor more than nine members appointed by the Housing and Home Finance Administrator. The Advisory Board shall meet at the call of the Commissioner and shall review the general policies of the Corporation and advise the Commissioner with respect thereto. Members of the Advisory Board shall receive for their services as members compensation of not to exceed $50 per diem when actually engaged in the performance of their duties, together with travel expenses as authorized by law.

CORPORATE POWERS

SEC. 6. For the purpose of carrying out its functions under this Act the Corporation—

(1) may adopt and use a corporate seal which shall be judicially noticed;

(2) may adopt, amend, and repeal bylaws, rules, and regulations governing the manner in which its business may be conducted and the powers vested in it may be exercised;

(3) may enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as it may deem appropriate, with any agency or instrumentality of the United States, or with any State, territory, or possession, or with any political subdivision thereof, or with any person, firm, association, or corporation and make advance or progress payments in connection therewith;

(4) may execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers;

(5) may sue and be sued in its corporate name and may complain and defend, in any court of competent jurisdiction, State or Federal, but no attachment, injunction, or other process, mesne or final, shall be issued

against the property of the Corporation or against the Corporation with respect to its property;

(6) may acquire, by purchase, lease, or donation such real and personal property and any interest therein, make advance or progress payments in connection therewith, and may hold, use, maintain, sell, lease or otherwise dispose of such real and personal property as the Commissioner deems necessary for the conduct of its business;

(7) may conduct researches, surveys, and investigations relating to flood insurance and to assemble data for the purpose of establishing sound actuarial bases for flood insurance;

(8) may appoint, pursuant to civil service laws and regulations, such officers, attorneys and employees as may be necessary for the conduct of the business of the Corporation; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; require bonds from such of them as may be designated; and delegate to them, and authorize successive redelegation by them of, such of the powers vested in the Corporation, as it may determine;

(9) shall contribute to the civil-service retirement and disability fund, on the basis of annual billings as determined by the Civil Service Commission, for the Government's share of the cost of the civil-service retirement system applicable to the Corporation's employees and their beneficiaries. The Corporation shall also contribute to the employee's compensation fund, on the basis of annual billings as determined by the Secretary of Labor, for the benefit payments made from such fund on account of the Corporation employees. The annual billings shall also include a statement of the fair portion of the cost of the administration of the respective funds, which shall be paid by the Corporation into the Treasury as miscellaneous receipts;

(10) shall determine the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed and paid, subject to provisions of law specifically applicable to Government Corporations; and

(11) may take such actions as may be necessary or appropriate to carry out the powers herein or hereafter specifically conferred upon it.

COORDINATION WITH OTHER PROGRAMS

SEC. 7. (a) In carrying out the functions authorized in this Act, the Corporation shall consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land-use and flood-control, and for flood-zoning and flood-damage prevention in order to assure that the insurance facilities offered are consistent with the programs of such agencies. Where the program of the Corporation may affect existing or proposed flood control works under the jurisdiction of agencies of the Federal Government, these agencies shall cooperate with the Corporation in coordinating their respective programs. The Department of Agriculture and the Corporation shall cooperate concerning flood insurance on agricultural commodities.

(b) No insurance or reinsurance shall be issued (1) for risks eligible for insurance provided by other Federal programs, or to the extent that coverage is available on reasonable terms from other private or public sources, or (2) for properties whose use is in conflict with State or local flood zoning laws.

(c) Any department or agency of the Federal Government engaged in making direct loans or advances, or in participating in, insuring, or guaranteeing loans made by private lending institutions, for the construction, modernization, repair, or purchase of property eligible for insurance under this Act may require as a condition for such future financial assistance that such property be insured against flood damage to the extent such insurance is available.

FINANCING

SEC. 8. (a) To carry out the functions authorized by this Act, there is hereby created a Flood Insurance Fund (referred to hereinafter as the "Fund"). Premiums paid to the Corporation for insurance and reinsurance under this Act, interest earned on investments of the Fund, and receipts from any other operations under this Act shall be credited to the Fund. The Fund shall be available for the payment of liabilities (including claims and judgments) under such insurance and reinsurance and for payment of all expenses of the Corporation under this Act.

(b) Moneys in the Fund not needed for the current operations of the Corporation may be invested or reinvested by the Corporation in all obligations which are lawful investments for fiduciary, trust, and public funds of the United States. Provided, That there are no outstanding borrowings from the Secretary of the Treasury as authorized in section 8(c).

(c) In order to finance its activities, the Corporation is authorized and empowered to issue to the Secretary of the Treasury, from time to time and to have outstanding its notes, debentures, bonds, or other obligations to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, in an amount not exceeding $200,000,000 at any one time, which limit may be increased with the approval of the President by further amounts not to exceed $150,000,000 each on July 1, 1957 and July 1, 1958. Each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the average rate on outstand-interest-bearing marketable public debt obligations of the United States. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Corporation to be issued hereunder and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under the Second Liberty Bond Act, as amended, are extended to include any purchases of the Corporation's obligations hereunder.

GOVERNMENT CORPORATION CONTROL ACT

SEC. 9. Section 101 of the Government Corporation Control Act is hereby amended by inserting after the words "Federal Housing Administration" the words "Federal Flood Insurance Corporation."

PAYMENT OF CLAIMS

SEC. 10. (a) Under such regulations as the Corporation may prescribe, it shall adjust, compromise and pay claims either directly or through agents for losses covered by insurance and reinsurance under this Act. The corporation shall collect from participating insurance companies such amounts as they may be obligated to contribute toward such losses.

(b) Upon disallowance of any claim against the Corporation or upon refusal of a claimant to accept the amount allowed by the Corporation, the claimant, within one year after the date of mailing notice of disallowance or partial disallowance by the Corporation, may institute an action against the Corporation on such claim in the United States district court for any district in which the insured property or a part thereof is situated. Exclusive jurisdiction is hereby conferred upon such courts, sitting without juries, to hear and determine such actions without regard to the amount in controversy.

PAYMENTS IN LIEU OF TAXES

SEC. 11. (a) The Corporation is authorized to make payments to State and local governments in lieu of property taxes upon property which was subject to State and local taxation before acquisition by the Corporation. Such payments may be in the amounts, at the times, and upon the terms the Corporation deems appropriate, but the Corporation shall be guided by the policy of making payments not in excess of the taxes which would have been payable for such property in the condition in which it was acquired, except in cases where special burdens are placed upon the State or local government by the activities of the Corporation or its agents. The Corporation, its property, franchises, and income are hereby expressly exempted from taxation in any manner or form by any State, county, municipality, or any subdivision thereof, but such exemption shall not extend to contractors for the Corporation.

REPORTS

SEC. 12. (a) The Corporation shall through the Housing and Home Finance Administrator make a comprehensive annual report of its operations under this Act for the fiscal year ending on the preceding December 31 to the President and the Congress as soon as practicable in each year, but in no case later than the last day of the following June.

(b) The Housing and Home Finance Administrator shall make a study and investigation of (1) the work, activities, personnel, and functions authorized under this Act, for the period from the enactment of the Act to June 30, 1959; (2) the practicability of providing insurance or reinsurance for other types of losses from floods such as those resulting from business interruption and losses of personal property; and (3) the possibility of broadening the participation of private insurance companies. On or before January 3, 1960, he shall report to the President and the Congress the result of the study and investigation, and make such recommendations as he may deem appropriate, including, if feasible, changes in authority necessary to facilitate the assumption of flood risks by private insurance companies and the ultimate termination of Federal insurance.

Attachment B

UNRESOLVED POLICY QUESTIONS

The following are major recommendations of the agencies which are not incorporated in the draft bill (Attachment B):

1. The Small Business Administration recommends that the program be administered by it because (a) it is actively engaged with the problems of home owners and businessmen in disaster areas; (b) the program is of special interest to small businessmen; and (c) SBA is successor to RFC which administered the war risk insurance program.

   Comment

   The proposed program cuts across the fields of interest or responsibility of several agencies, especially HHFA, FCDA, SBA, Agriculture and Commerce. The Bureau of the Budget believes that HHFA, concerned as it is with housing, community facilities, community development, and mortgage insurance, is the most appropriate location. The new program would go far beyond the present responsibility of SBA, and would tend to make SBA the type of catch-all organization that RFC became and which this Administration abolished in one of its first acts.

2. HHFA suggests that the management should be vested in a Board of Directors, instead of in a General Manager. The Board would consist of the Housing Administrator, the General Manager, one other person employed in HHFA, and two other persons experienced in insurance business.

   Comment

   The Bureau of the Budget believes that responsibility for management should be centralized in a General Manager responsible to the Housing Administrator, rather than dispersed in a Board. Making the Housing Administrator a member of the Board of Directors would weaken his responsibility, since he would have only one vote among five. The bill provides for an Advisory Committee to review the general policies of the Corporation and to advise it.

3. HHFA recommends that the Advisory Board be exempt from "conflict of interest" statutes.

   Comment

   The Bureau of the Budget sees no strong need for such an exemption.

4. HHFA recommends that the coverage be limited to real property, and that personal property and agricultural commodities be excluded. It points out that insurance on personal property is available privately and that agricultural commodities not now covered by the Federal Crop Insurance Act could be taken care of by an amendment to that Act.

   Comment

   SBA emphasizes that both real and personal property should be included; "this is especially true in the small business segment of the economy". Agriculture raises no objections to inclusion of agricultural commodities. The Bureau of the Budget has limited personal property coverage to business inventories and has provided that potential coverage of personal property of individuals be studied and a recommendation made by January 1960. To the extent that flood insurance on such property is already available, it is excluded from the new program by Section 7 (b) which provides that no insurance shall be issued where it is available privately or under other Government programs.

5. HHFA recommends that Section 7 (c), authorizing Federal lending and insuring agencies to require insurance, be deleted. It points out that even though Section 7 (c) is permissive, it would make it necessary for any lending or insuring agency to justify its reasons for requiring or not requiring insurance and provide a source of constant conflict between the insurer and the lending or insuring agency.

Comment

One of the most legitimate doubts expressed about the feasibility of flood insurance is whether there is adequate demand at non-subsidy premium rates. This provision may, therefore, prove essential for the success of the program in helping to assure a broad enough basis for the initial experiment. The provision is merely permissive and many of these agencies now require fire insurance.

6. HHFA recommends that the $250,000 limitation on coverage should be deleted as too rigid.

Comment

According to SBA, the $250,000 limitation is adequate for small business and for a high percentage of the manufacturing classification. We believe that it is an important feature of the experimental approach and contributes in assuring a wide diversification of risk within a limited insurance total. It was originally recommended by an insurance representative.

7. Justice recommends that the requirement for Presidential approval of insurance above $500,000,000 be deleted as a needless burden on the President.

Comment

Extension of the program above $500,000,000 would seem to be a major policy decision. The President could delegate this authority. In any case, the matter would not come up until July 1, 1957. The Bureau of the Budget, therefore, recommends that the authority be in the President.

Attachment

CABINET PAPER—PRIVILEGED
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CP - 39
October 26, 1955

The White House
Washington

THE CABINET

Postal Rate Increases

For consideration by the Cabinet, attached is a brief summation, prepared by the Postmaster General, of his Recommendations concerning Postal Rates.

These Recommendations are the focal points of the presentation which will be given by the Postmaster General as an introduction to Cabinet consideration of this subject, and are submitted for the concurrence of the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

POSTAL RATE INCREASES

Background:

The Post Office Department is now being operated on a pre-war price level and a post-war cost level.

Despite recent economies and greater efficiency, which have reduced the postal deficit approximately 47 per cent in the past two years, the Post Office Department faces a deficit of nearly one-half billion dollars in the fiscal year 1956. Approximately two hundred million dollars of this huge loss is the new yearly cost of the recently enacted pay increase and other employee benefits.

The Post Office Department has gone about as far as it can in substantially reducing costs without impairing service.

New postal revenue is needed now to meet the increased costs of operating the Post Office Department; to provide facilities to handle the increasing mail volume; to improve service to a growing nation; to relieve the Treasury Department of a heavy burden.

Recommendations:

The Department recommends that Congress be asked to increase letter rates by one cent on each letter regardless of weight.

The Department also recommends that Congress be asked to increase rates for Second-Class mail (magazines and newspapers) and Third-Class mail (advertising matter and parcels up to eight ounces) in somewhat the same proportions.

LIMITED OFFICIAL USE

Postmaster General - Cabinet October 28, 1955

We have advanced our program in every respect except for postal rates. As you know, no rate legislation was passed during the 83rd Congress, nor during the first session of the present Congress. Without rate adjustments, it is clear that the Department cannot be placed on a sound financial basis.

Chart 1

The urgency of taking action on postal rates is clearly indicated on this chart. As you can see, the accumulated deficit for the 10-year period prior to World War II was 853 million dollars. The war years are omitted because there was a surplus during this period. However, in the 10 years following World War II the total deficit was 4.6 billion dollars -- or more than 5 times as great. This points up the seriousness of the deficit problem in the postwar period and emphasizes the need for immediate action by Congress.

Opponents of necessary rate adjustments claim that a substantial postal deficit has always existed as a matter of national policy. This can be readily disproven.

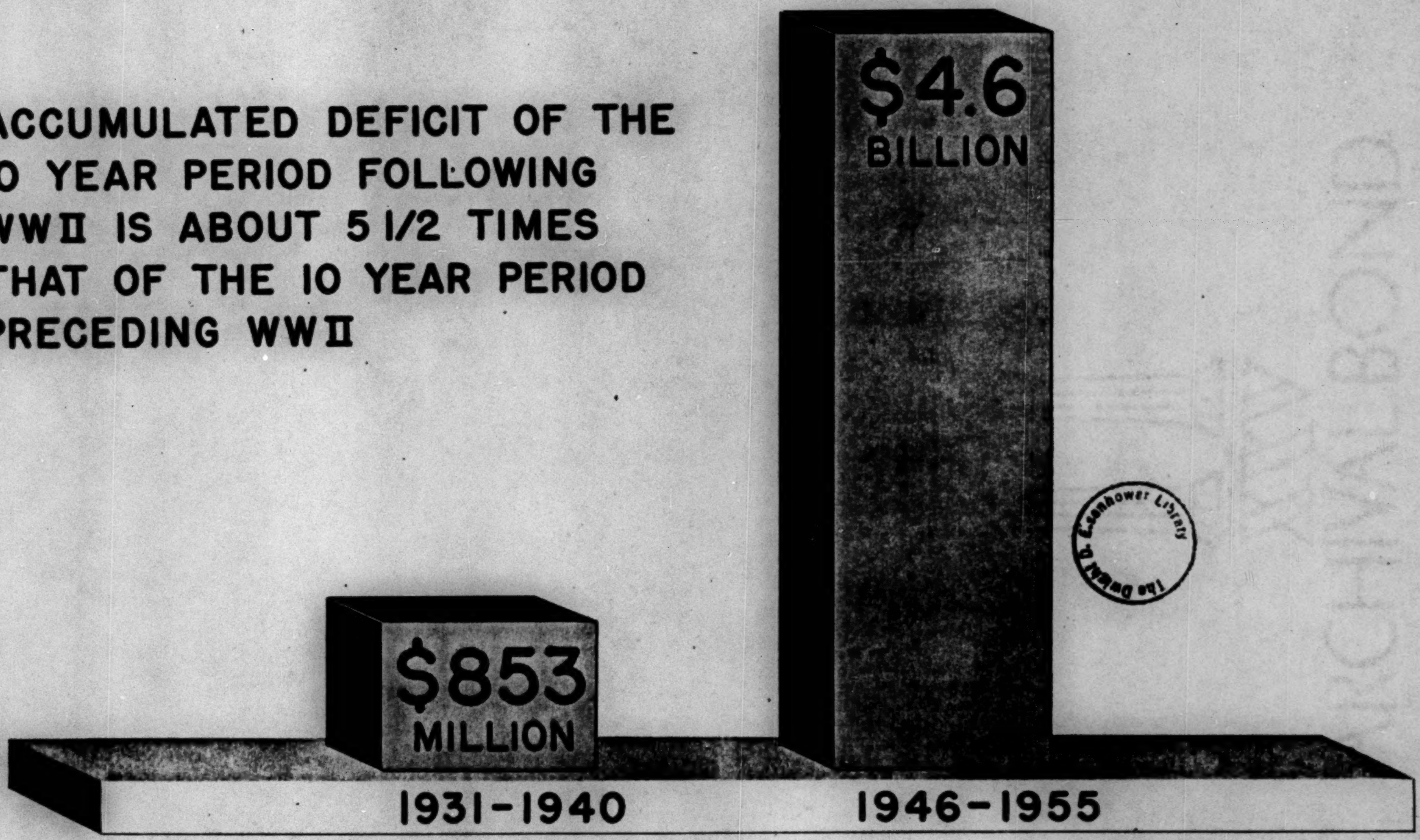
Chart 2

The average annual deficit from 1789 to 1940 was only 10 million dollars. Compared to this modest sum, the deficit over the last 10 years has averaged 460 million dollars annually.

In our opinion it never was this Nation's policy to allow huge

PREWAR DEFICIT vs POSTWAR DEFICIT

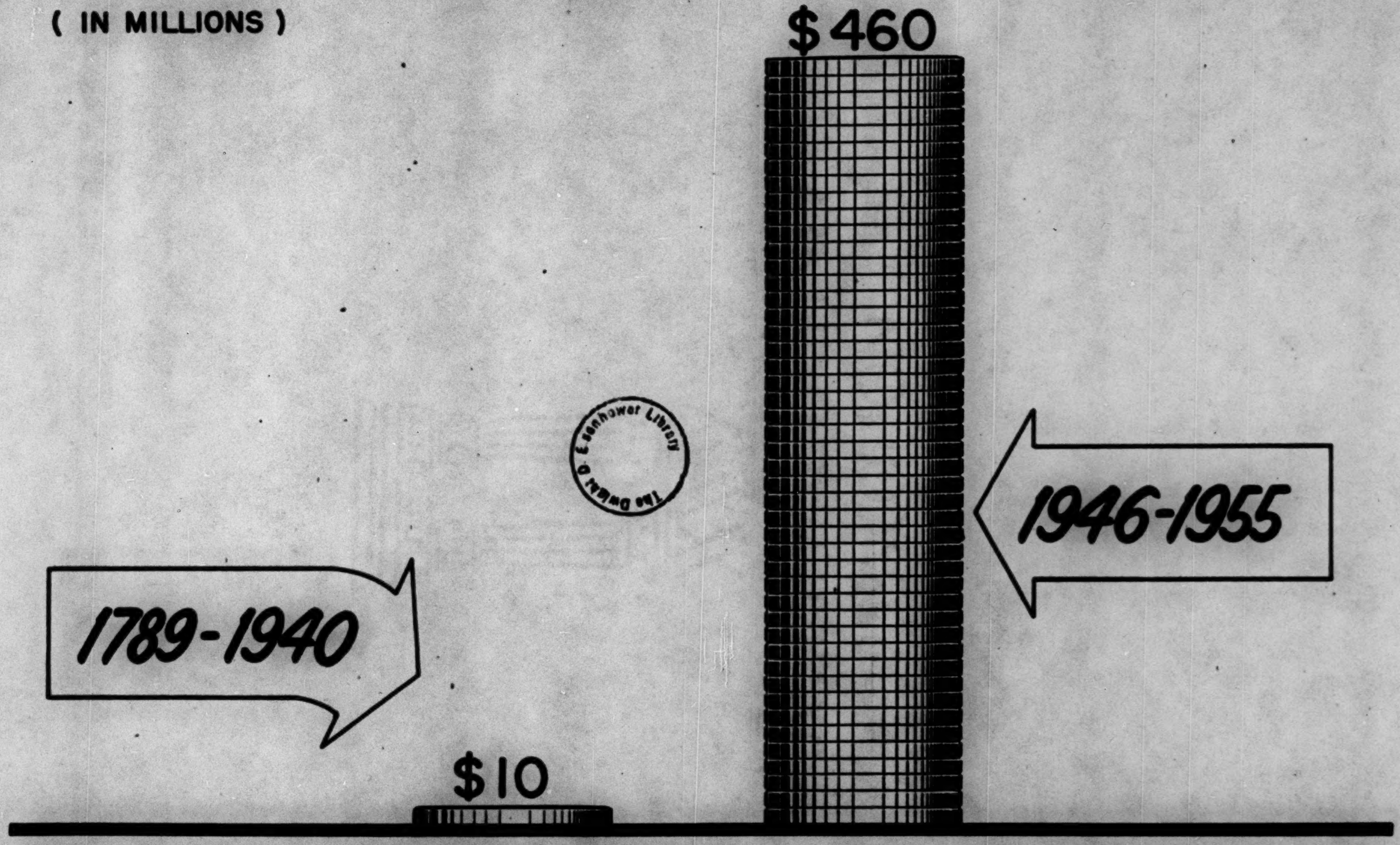
ACCUMULATED DEFICIT OF THE 10 YEAR PERIOD FOLLOWING WWII IS ABOUT 5 1/2 TIMES THAT OF THE 10 YEAR PERIOD PRECEDING WWII



NOTE: DURING WAR YEARS, 1941-45, SURPLUS OF $163 MILLION

AVERAGE ANNUAL DEFICIT

(IN MILLIONS)



NOTE: During war years, 1941-45, average annual surplus of $33 million.

deficits to burden the Post Office for extended periods of time.

Now let us look at what has happened since the end of the War to bring about these deficits.

Chart 3

Between 1945 and 1954 annual postal costs increased by 1.6 billion dollars. In this same period, revenues due to rate increases went up only one-third as much.

Four-fifths of the increase in cost was due to higher wages and other benefits for postal workers.

Almost everything the Post Office buys today costs more than twice as much as it did in 1945.

Chart 4

Despite these sharp increases in cost, this administration has made definite progress in reducing the tremendous losses which developed during the previous administration.

We did this by introducing modern management practices, by transferring certain subsidies and by increasing such rates as we control.

When we entered office we found our predecessors had reported a deficit of 727 million dollars for 1952 and had estimated a deficit of 747 million dollars for 1954.

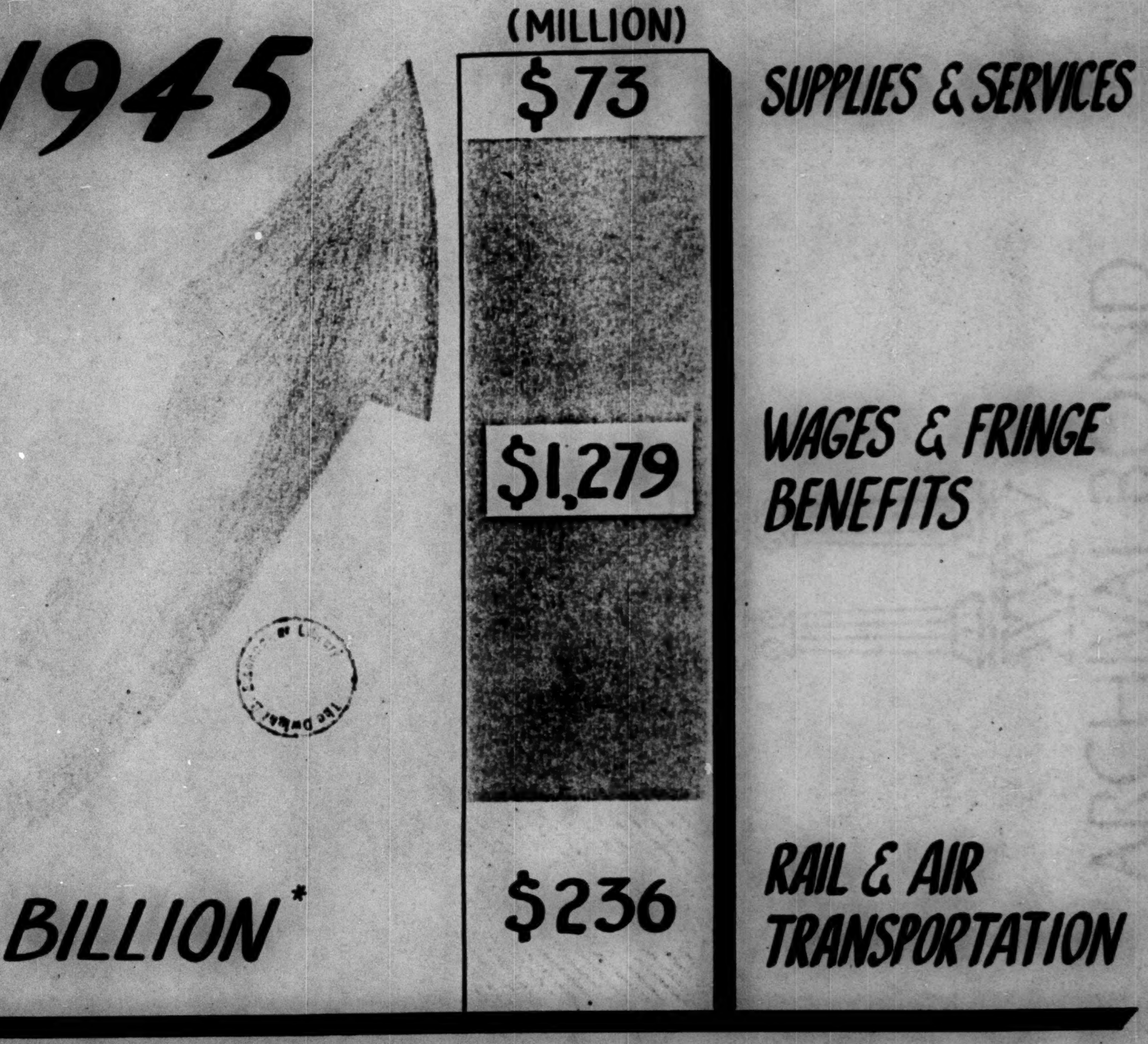
As you can see on the chart, we made progress almost immediately.

SINCE 1945

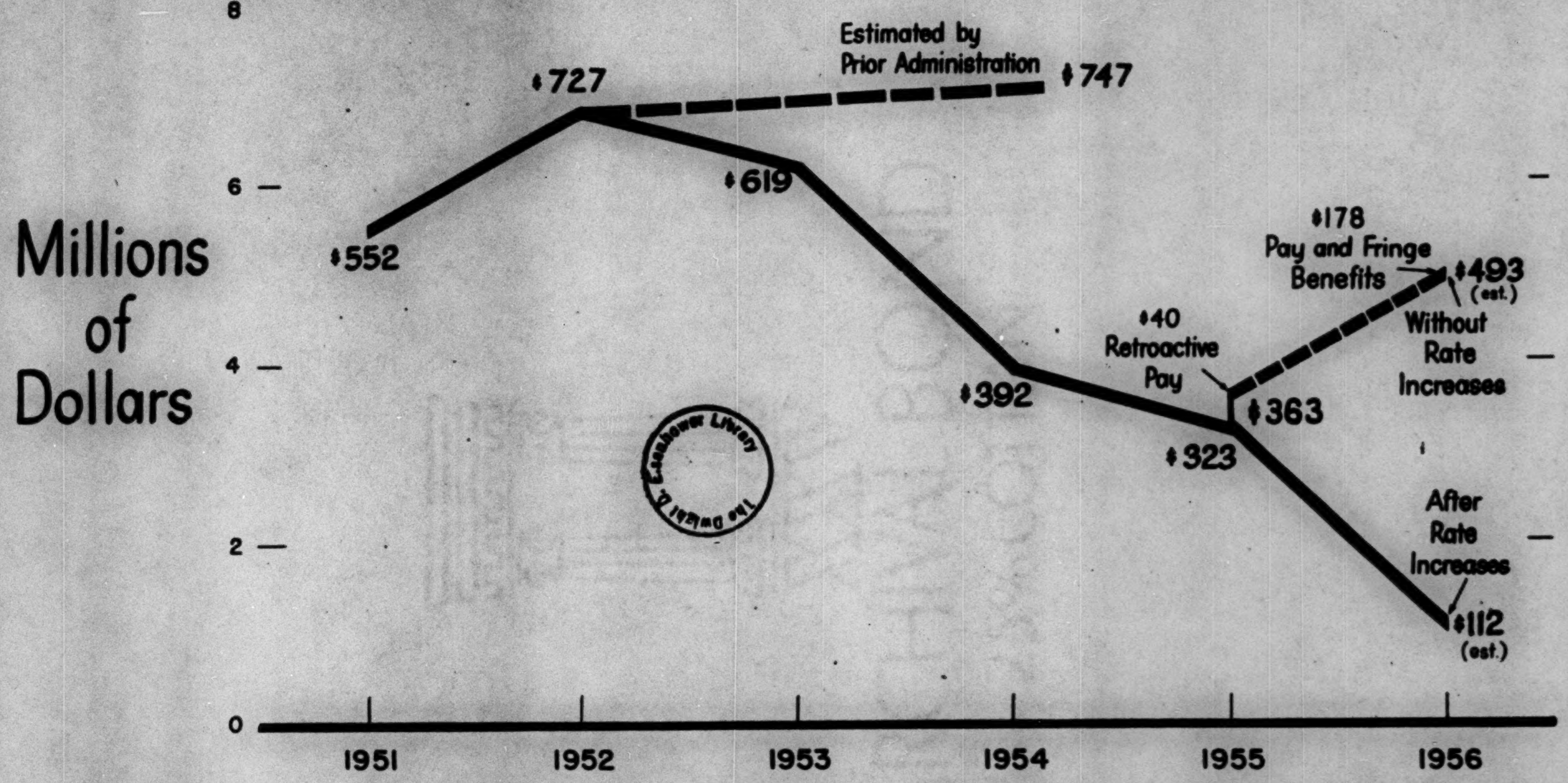
ANNUAL
POSTAL
COSTS

UP

$1.6 BILLION*



WE HALTED THE RISING POSTAL DEFICIT AND TURNED THE TREND DOWNWARD -*But*



Only A POSTAL RATE INCREASE CAN MAINTAIN THE TREND TOWARD A BREAKEVEN POSTOFFICE

We not only halted the rising postal deficit but, despite rising wages, actually cut it in half by fiscal 1955.

In fiscal 1956 we shall no longer be able to maintain this downward trend. Recent legislation increasing wages and other costs has added 178 million dollars to our budget for this year and will amount to almost 200 million dollars next year.

Unless action is taken immediately to increase rates of postage, the deficit in fiscal 1956 will jump to 493 million dollars.

I think it is clear that we have gone just about as far as we can in decreasing the deficit by means under our control.

If we are to continue the downward trend which we developed over the last three years we must increase our revenues. The only way I know to do this is to adjust postal rates. Had our proposals been in effect for the full fiscal year, the deficit trend in 1956 would have continued downward to 112 million dollars.

Chart 5

This chart clearly shows how postal rates have lagged behind postal costs. Note that postal costs have increased 107 percent since 1932 -- the date of the last first-class rate increase. On the left side of the chart is shown some of the specific increases in costs. While these costs were shooting upward what was happening to rates?

Letter rates are the same today as they were in 1932.

SINCE 1932

ALL POSTAL COSTS UP 107% *But* *POSTAL RATES HAVE LAGGED FAR BEHIND*

Clerk's Pay	*Up 103%*
City Carrier's Pay	*Up 106%*
Rural Carrier's Pay	*Up 118%*
Railroad Cost	*Up 90%*
P.T.S. Wages	*Up 102%*
Cost of Trucks	*Up 206%*

Letter Rates - *Same as 1932*

3rd Class - *Up only 38%*

2nd Class* - *Up only 3%*

* IN-COUNTY RATES SAME AS 1885.

* ADVERTISING LB. RATES BELOW 1932 LEVEL.

* SOME IN-COUNTY SERVICES STILL PERFORMED FREE OF CHARGE.

Third-class rates up only 38 percent.

Second-class rates have increased only 3 percent.

Within-county rates are the same as they were in 1885.

Advertising zone rates are below the 1932 level.

And the same free-in-county distribution of newspapers and magazines has continued since 1879.

Chart 6

To bring postal rates up to date we are proposing the following adjustments which will produce additional revenues of 381 million dollars annually. Now let me say a few words about each class of mail.

Without an increase in letter rates, there is no way of substantially reducing the deficit. The additional revenue proposed from all other classes combined would fall far short of meeting recent cost increases of about 200 million dollars a year.

Letters are the major source of revenue of the Post Office. The President, in a special message to Congress, indicated that the failure of letter mail to maintain its revenue contribution has been a major factor in current postal deficits.

We are now at the point where the Department is losing money on every letter bearing a 3-cent stamp.

We are accordingly requesting a 1-cent increase on the first

RATE BILL

MAIL CLASSIFICATION		PRESENT RATE (cents)	PROPOSED RATE (cents)	ADDITIONAL REVENUE (millions of dollars)	
FIRST-CLASS LETTERS -	1st. OZ.	3.0	4.0		254.0
	ADDL. OZ.	3.0	3.0		
DOMESTIC AIR MAIL LETTERS -	1st. OZ.	6.0	7.0	14.0	127.0
	ADDL. OZ.	6.0	6.0		
SECOND CLASS					
PUBLISHERS' OUTSIDE COUNTY LB. RATES			(3) 20% INCREASES	34.5	
MINIMUM COPY RATE		1/8	1/4		
TRANSIENT	1st. 2 OZ.	2.0	2.0		
	ADDL. 2 OZ.	1.0	1.5		
THIRD CLASS					
A. PIECE					
a. CIRCULARS, MERCHANDISE, AND MISCELLANEOUS	1st. 2 OZ.	2.0	3.0	77.0	
	ADDL. OZ.	1.0	1.5		
b. BOOKS AND CATALOGS	1st. 2 OZ.	2.0	3.0		
	ADDL. 2 OZ.	1.5	–		
	ADDL. OZ.	–	1.0		
B. BULK					
a. CIRCULARS, MERCHANDISE, AND MISCELLANEOUS	LB.	14.0	16.0		
	PIECE MINIMUM	1.5	2.0		
b. BOOKS AND CATALOGS	LB.	10.0	12.0		
	PIECE MINIMUM	1.5	2.0		
C. ODD SIZES AND FORMS - PIECE		3.0	5.0		
D. ANNUAL BULK MAILING FEE		$10.00	$20.00		
FOURTH CLASS					
BOOKS	1st. LB.	8.0	10.0	1.5	
	ADDL. LB.	4.0	4.0		
					381.0

ounce only. This will produce 254 million dollars annually.

We are also recommending an increase of one cent on the first ounce only for air mail which will produce 14 million dollars additional revenue. This rate will maintain the present differential between letter mail and air mail. We believe this is a fair rate for the expeditious treatment air mail receives.

In second class mail, which consists principally of newspapers and magazines, we previously recommended two successive annual 15 percent increases in pound rates. This would have produced 15 million dollars in revenue. Since then the increases in wages and other costs allocated to second-class mail have exceeded this sum by a large margin.

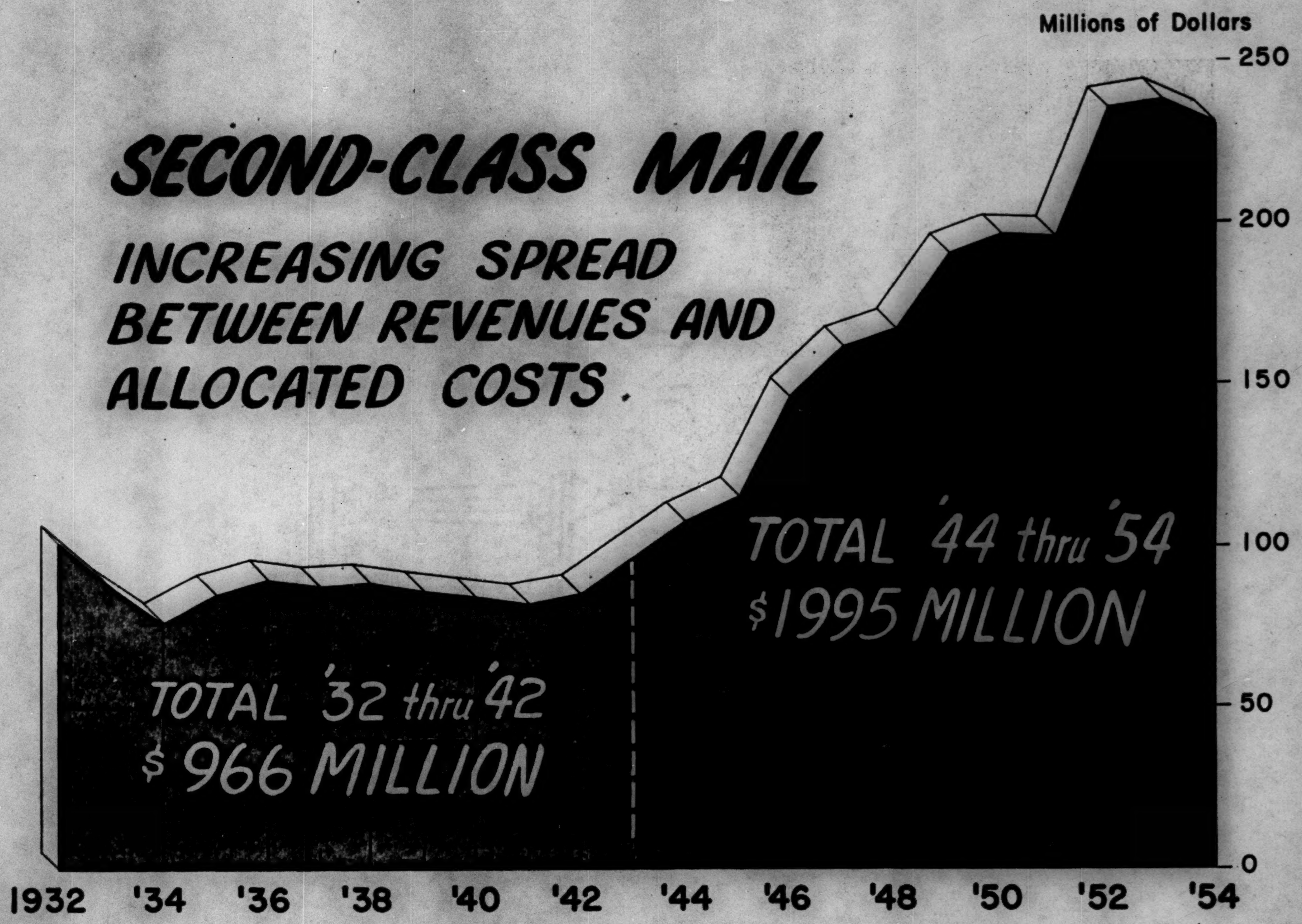
We are therefore now recommending three 20 percent annual increases in second-class pound rates. This will produce additional revenue of approximately 32 million dollars over a three-year period. Other minor adjustments in second-class rates should produce another two and a half million dollars.

Chart 7

The increase in cost to the taxpayer of carrying second-class mail is illustrated on the next chart. Note that for the ten-year period between 1932 and 1942 the deficit for this class of mail was 966 million dollars. In a similar period following World War II the spread amounted to almost 2 billion dollars.

SECOND-CLASS MAIL

INCREASING SPREAD BETWEEN REVENUES AND ALLOCATED COSTS.



In second-class mail the Department receives about 2¼ cents a pound but last year spent 11½ cents to handle each pound and the pay raises have increased the cost still further.

In fact, the revenue from second-class mail barely covers the cost of transportation leaving nothing for wages, supplies, and other costs.

It is difficult to see how publishers can reasonably oppose the equitable rate adjustments recommended by the Department.

Chart 6

On third class, consisting mainly of advertising matter, we are asking increases of about 30 percent. This would produce revenues of about 77 million dollars. Third-class mail is primarily business mail.

Chart 8

This chart shows that in nine years following World War II the total spread between revenues and expenditures for third-class mail was more than a billion dollars.

In 1926, the first year in which the Department kept cost records, third-class mail paid more than 97 percent of its cost. Last year it paid only 63 percent.

There is no valid reason why the taxpayer should continue to underwrite a legitimate business expense.

THIRD CLASS

REVENUES AND EXPENDITURES

1946-1954

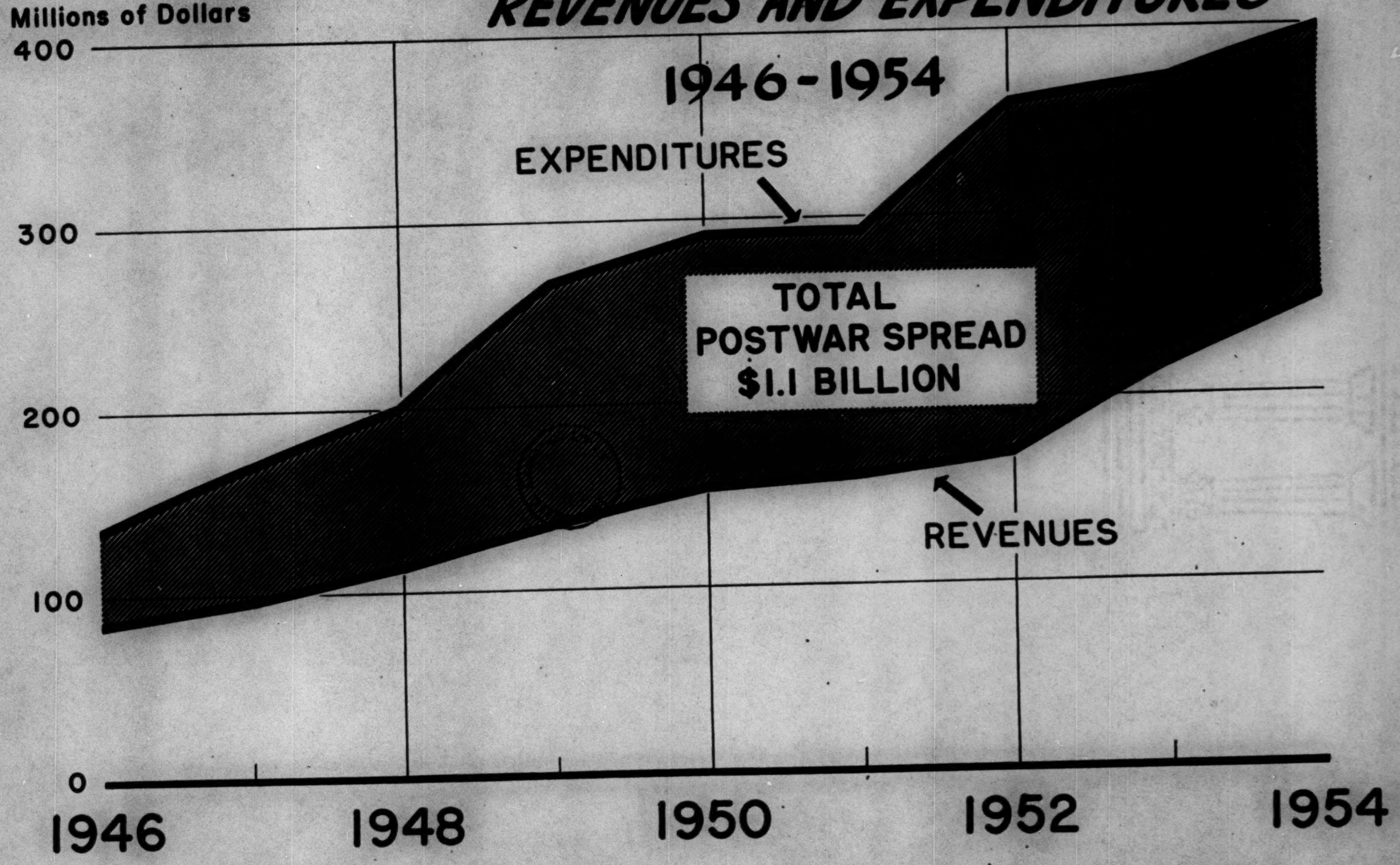


Chart 6

Lastly, we are recommending an increase of 2 cents on the first pound only of each shipment of books. This adjustment is not primarily for revenue but to maintain an equitable relationship with books moving at third-class rates.

We believe our rate proposals are fair and equitable and that this is the time for action.

This country is the only major nation in the world which does not operate its Post Office on a self-supporting basis.

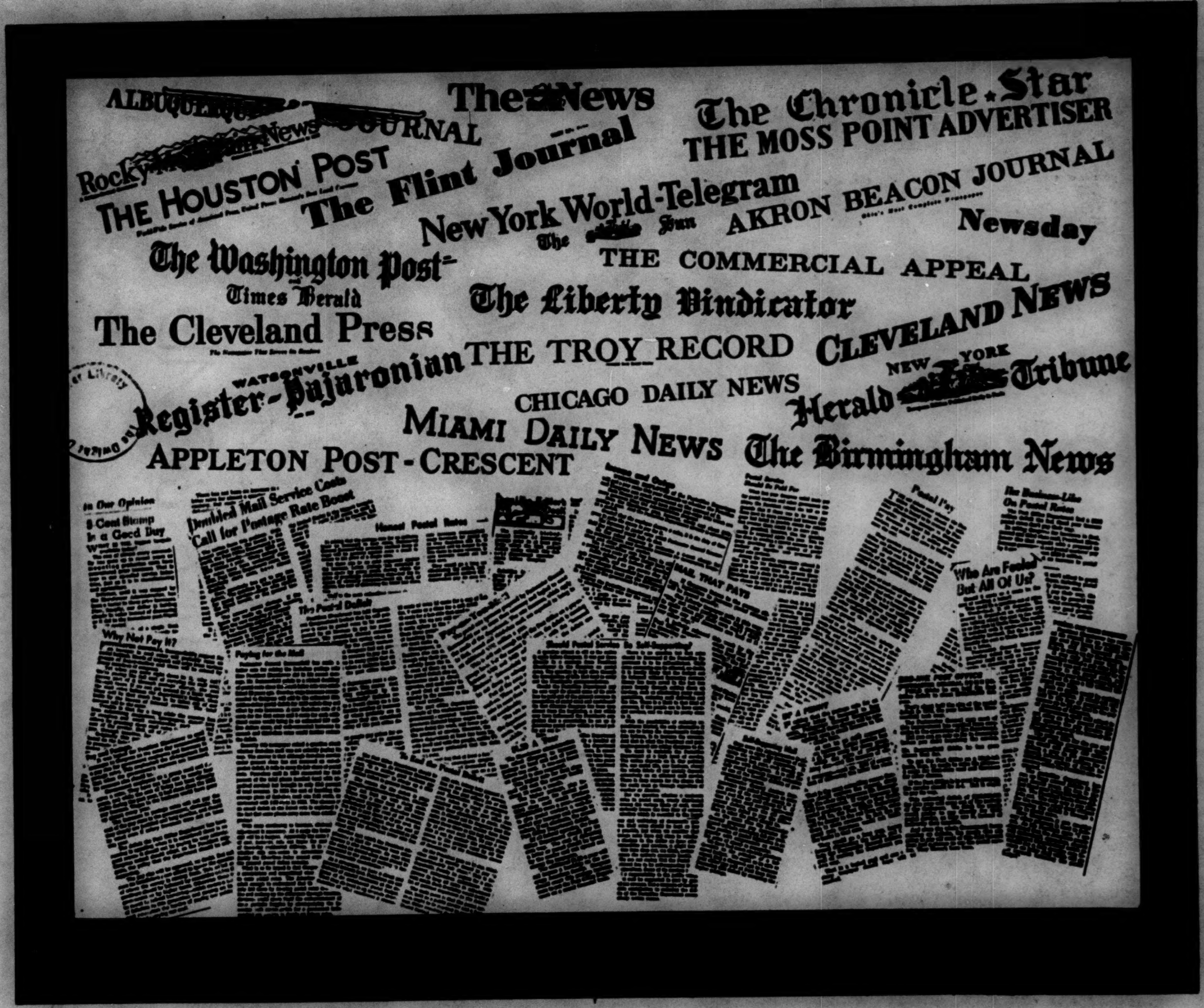
Chart 9

Our financial policies are supported by a large segment of the press. This is indicated by a few of the editorials mounted on this chart.

I am firmly convinced, by the results of numerous public opinion polls, that the man in the street favors fiscal responsibility in Government and that he is not deceived by low postal rates which result in higher taxes.

The enactment of these proposals will solve our immediate financial problems. However, costs are not static and rate-making machinery should be established to meet changes in operating costs as they occur.

Towards this end, we are recommending the establishment of an independent commission on postal rates. This commission, operating


ALBU JOURNAL
The News
The Chronicle-Star
Rocky News
THE HOUSTON POST
The Flint Journal
THE MOSS POINT ADVERTISER
New York World-Telegram
The Sun
AKRON BEACON JOURNAL
Newsday
The Washington Post
Times Herald
THE COMMERCIAL APPEAL
The Liberty Vindicator
The Cleveland Press
THE TROY RECORD
CLEVELAND NEWS
WATSONVILLE
Register-Pajaronian
CHICAGO DAILY NEWS
NEW YORK
Herald Tribune
MIAMI DAILY NEWS
APPLETON POST-CRESCENT
The Birmingham News
In Our Opinion
8 Cent Stamp Is a Good Buy
Doubled Mail Service Costs Call for Postage Rate Boost
Honest Postal Rates
The Postal Deficit
Why Not Pay It?
Paying for the Mail
MAIL THAT PAYS
Postal Pay
Who Are Fooled But All Of Us?
On Postal Rates

under congressional policy directives, would be authorized to make rate adjustments when and as necessary.

Through this means we can be assured that in the future huge postal deficits can be avoided.

However, it is the immediate problem which concerns us today.

At a time when this administration is doing all in its power to balance the Federal budget we cannot tolerate an annual postal deficit of almost a half billion dollars.

The user of the mails rather than the taxpayer should pay for postal services. By placing postal costs where they belong we can reduce the postal deficit and greatly enhance our prospects for success in balancing the Federal budget.

CABINET PAPER—PRIVILEGED
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CA - 36

November 3, 1955

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, November 4, 1955

1.	Report from Denver	(Oral)	The Assistant to the President
2.	Follow-up on Hoover Commission Reports	CI - 33	The Honorable Meyer Kestnbaum
3.	Proposals for Tax Policy Position	(Oral)	The Secretary of the Treasury
4.	Preliminary Discussion of HEW's Program: (a) Legislative Proposals (b) The White House Conference on Education	(Oral)	The Secretary of Health, Education and Welfare
5.	Discussion of the Proposed Executive Order Relating to the Employment of WOC's and "Experts and Consultants" under the Defense Production Act as Amended	CP - 40	The Attorney General

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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By BWC NLE, Date 8-6-76

MINUTES OF CABINET MEETING

November 4, 1955

9:00 A. M. -- 11:55 A. M.

The following were present:

Vice President Nixon
(presiding in absence of the President)

Under Sec. Hoover
(for Sec. Dulles)
Sec. Humphrey
Deputy Sec. of Defense Robertson
(for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Under Sec. of Interior Davis
(for Sec. McKay)
Sec. Benson
Sec. Weeks
Under Sec. of Labor Larson
(for Sec. Mitchell)
Sec. Folsom

Director Hughes
Dr. Flemming
Chairman Young
Dr. Burns

Mr. Meyer Kestnbaum, Intergovernmental Relations -- in part.

Gov. Adams
Gen. Persons
Mr. Rockefeller
Mr. Dillon Anderson
Mr. Shanley
Mr. Harlow
Mr. Morgan
Mr. Martin
Dr. Hauge
Mr. Murray Snyder
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

President's return to Washington - Governor Adams again reported on the President's optimism about the future and eagerness to resume his duties.

Governor Adams then set forth a suggested program of events for the President's departure from Denver and arrival at the White House. The program had not yet been approved by the President but was consonant with the recommendations of most but not all of the medical staff. He expected that final action on it would be taken following the full medical staff meeting on Sunday. Governor Adams indicated that Denver planned a full turn-out to say farewell and that the staff must expect rather large numbers of people on hand in Washington. The schedule would make the least possible physical demand on the President but provide for movement of the President's car at a slow

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pace from Memorial Bridge around the Ellipse and White House to the Southwest gate. It was hoped to hold "official greetings" and handshaking to a maximum of one individual, perhaps the Vice President.

In response to queries from Secretaries Weeks and Humphrey and the Postmaster General, Governor Adams indicated that the program could be cut very little at best and that the President himself had already indicated his dislike of any plan that would move him to the White House at such a rapid pace as to disappoint the well-wishers.

It was agreed that final details in Washington would be worked out under the direction of the Vice President following discussion of the matter with the President on Sunday.

Hoover Commission Reports (CI-33) - Mr. Kestnbaum recalled the President's request to him to undertake coordination of action on Hoover Commission recommendations. In reviewing the paper on the subject, he emphasized the importance of avoiding any crude mechanical box score of achievements. The Vice President, Mr. Robertson, Sec. Benson and others stressed the desirability of an early accounting to the public of actions already taken. Mr. Kestnbaum indicated a compilation was already underway. At the suggestion of Governor Adams, it was agreed that Mr. Kestnbaum would soon coordinate with Murray Snyder an appropriate public statement and that the latter would discuss with departmental press officers the need for full publicity. It was indicated that all press releases on the matter should be coordinated with Mr. Kestnbaum at least in the early stages of this process.

Mr. Hoover had reason to believe, as a result of Mr. Farley's recent statement, that the opposition would attempt to make political capital out of the Administration handling of the Commission recommendations. Gen. Persons noted that some serious political considerations were involved in several of the recommendations, and he hoped that agencies would be sensitive to them and would in coordination with Mr. Kestnbaum insure necessary liaison with Congressional leaders.

1956 Tax Program - Sec. Humphrey stated that any tax program must start from the premises that taxes are too high and should be reduced as quickly as possible but not at the expense of increasing the national debt. He believed that reduction could be effected once a surplus was in sight without necessarily waiting to have the surplus actually in hand. He believed on the basis of current trends that the budget would be in balance on June 30, 1956, and that a surplus would be available inthe following fiscal year, although this would largely depend upon the size of corporation income tax payments to be made in May.

Mr. Humphrey then outlined the six points he believed should be

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incorporated in any statement of the tax program: (1) Continuation of the excise taxes due to expire March 31st; (2) postponement for one year of the 5% reduction of corporate income tax now scheduled for April 1st; (3) accomplish in May a good estimate of receipts and expenditures for the coming year; (4) should the estimate indicate a surplus of receipts, develop at that time a specific program for reductions consonant with the extent of the surplus in sight; (5) should no surplus be in sight, resist fully any proposal for tax reductions; (6) favor such a tax reduction prior to reduction of indebtedness until such time as the cost of national security programs can be reduced and thus allow concurrent reduction of indebtedness and taxes.

Director Hughes expressed agreement with these remarks. The Vice President, Sec. Humphrey and Sec. Benson all indicated the increased difficulty of securing further postponement of the excise reduction.

Governor Adams reported the President's interest in the tax matter and his hope that some reduction of the national debt could be accomplished. Sec. Benson concurred in this hope. Sec. Humphrey stated his strong feeling in behalf of the sixth point of the program and his definite belief that indebtedness can be reduced only when major security costs are reduced, for at the present time he believed tax rates are higher than the national economy can long endure, particularly because of their limitation of incentive. Mr. Benson believed then that it would be doubly important to emphasize that the Administration looks forward to the time when the debt can be reduced. Mr. Hughes stressed that current hope for a surplus would vanish if costly new programs are adopted in the next session of Congress.

The Vice President questioned the relationship of the tax cut, if accomplished, to the matter of a possible economic dip which Secretary Humphrey recently feared might develop in 1956. Mr. Humphrey thought the cut would be too late to have any effect. He preferred to emphasize the need for accomplishing a balance in June, 1956, by avoiding costly new programs. The Attorney General remarked that the fact of a balanced budget will be an incentive to economic expansion.

The Vice President suggested that the specifics of a tax program should include measures helpful to farmers and thus relieve somewhat the pressures of that problem. Sec. Benson believed some such items could be worked out.

Sec. Weeks noted the favorable economic outlook but asked what would happen if there occurred a moderate drop in corporate earnings on which the Treasury was so dependent. Sec. Humphrey spoke feelingly, as Mr. Weeks said he expected him to do, of the terrible fiscal situation

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By BHC NLE, Date 8-6-76

of this country which is much more dependent than any other country on income taxes instead of having the safer basis of gross earnings taxes. While he foresaw no opportunity to improve the situation immediately, he believed the eventual desirable situation would be to have from one-third to one-half of Treasury receipts based on gross income.

At the invitation of the Vice President, Dr. Burns reverted to what he called the fundamental question of reducing the debt. He stated his agreement with the Secretary of the Treasury's remarks in all aspects except this one. He believed the Secretary's immediately preceding comments reinforced his own views, for the effect of an economic downturn would be further deficit financing. He thought it self-evident that if in this period of very high prosperity the Government can do no better than merely balance the budget, then the conclusion must be drawn that "we can only do worse" -- that the future outlook is confined only to expansion of the debt. He believed that in this present prosperous period we should strive for at least a small surplus that could be applied to debt reduction. On a very tentative calculation, he thought a $3 billion surplus might be forthcoming in fiscal 1957, if expenditures are held at present levels and national prosperity continues high. He thought that of this surplus one-half billion dollars might be applied to easing the farm problem, $1 billion applied to debt reduction and the remaining $1 1/2 billion applied to tax reduction.

Sec. Humphrey asserted that the United States was not in a period of high prosperity of normal times, that we are currently enjoying a war prosperity, and that if we succeed in breaking even under a war prosperity we can anticipate debt reduction in a prosperous period of normal times. Mr. Hughes then emphasized the size of the assumption that expenditures can be continued at present levels. He noted that any 1956 balance would result from certain large "one shot" operations for which substitutes would have to be found in 1956. He characterized Dr. Burns' $3 billion surplus as being "like snow in summer". Sec. Humphrey then repeated that the important things were to win the big fights to be expected on excise and corporate tax continuations and the need for achieving a balance before reducing taxes. He recalled that he had approved the last tax cut prior to achievement of a balance but that his view was very much different in the current situation.

The Vice President then asked about the status of discussions with Congressional leaders, Sec. Humphrey indicated the progress made, and Gen. Persons stated that the full meeting of the Legislative Leaders would probably be held on December 11th and 12th.

Deputy Secretary Robertson reported that the first round of Defense Department budget review had shown a probable budgetary increase

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necessary to support the increased strength now being developed through additional wings, advanced weapons, etc. He believed a Defense budget increase to be inevitable unless basic changes were made in the Defense program. Sec. Humphrey emphasized the importance of compensating for new programs by changes in old programs, but he was not willing to specify particular areas. Dr. Flemming believed Mr. Robertson's comments emphasized the existence of a war economy and the impossibility of promising certain things while present international pressures continue to exist. The Vice President noted that many of the preceding comments tended to bear out Sec. Humphrey's views and voiced his opinion that the outlined program was politically sound. The discussion was terminated with comments from Sec. Humphrey and Sec. Benson on the specifics of the excise tax problem.

Highway Program - Sec. Weeks reported that the going had been rough in the meeting with the Governors Highway Committee. Although the Governors had not yet reached any conclusions, they had been vocal in their opposition to any increase in the gas tax. Mr. Weeks' best informal judgment was that perhaps both the Governors and the Administration would do best to let Congress wrestle with the problem of financing.

Health, Education and Welfare Program - Mr. Folsom reviewed the background and set forth the main provisions of the Department's legislative program. These included: Opposition to reduction of the retirement age for women, retirement at age sixty for the disabled, continued advocacy of the reinsurance program, old age assistance grants and the additional grants for medical care for the aged, increased appropriations for medical research on the basis of recommendations of the National Institutes of Health, and a possible matching grant program for school construction similar to the Hill-Burton formula at an estimated cost of $250 million per year for five years.

Mr. Folsom believed a compromise at age fifty-five for retirement of the disabled could be accepted as a last resort. In regard to the reinsurance program, he noted that private companies were becoming more active to accomplish the purposes of the bill without regard to Federal participation. He hoped for further refinements in the old age assistance programs to get away from outright gifts.

Regarding school construction, he emphasized the need for some effective program, in which the Vice President concurred. Mr. Hughes stressed the budgetary problems involved which would have to be settled subsequent to this discussion. Governor Adams interpreted Cabinet discussion as constituting general approval, and he indicated that Mr. Folsom would discuss it with the President although no announcement could be made prior to the White House Conference.

WOC's and Consultants (CP-40) - In view of the lateness of the hour, it

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was agreed to initiate clearance of this matter through Budget Bureau clearance and schedule Cabinet discussion at a subsequent meeting, if possible.

Cabinet Schedule - Mr. Rabb called attention to the November 11th and November 24th holidays. It was agreed that the Cabinet should meet on Tuesday, November 15th, and Monday, November 28th, in lieu of the regular meetings. Governor Adams said that the draft State of the Union message would be circulated in advance of discussion at the November 15th meeting.

The Vice President noted that this had been the 100th meeting of the Cabinet.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

ORIGINAL
LONG
DRAFT
(Noon, 11/4/55)

RA - 36

November 4, 1955

The White House

Washington

THE CABINET

Record of Action

The following action was taken on the items presented at the Cabinet Meeting of November 4, 1955:

1. Report from Denver -- Schedule for the President's Return

ACTION: (a) The Cabinet noted with approval the tentative schedule which was proposed by Governor Adams after consultation with the President's physicians:

(i) Arrival at 3:30 p.m., November 11

(ii) The Cabinet, the Diplomatic Corps and the public invited to be present at the Airport

(iii) An uninterrupted motorcade to the White House, with the public encouraged to greet the President in the 1600 block of Pennsylvania Avenue

(b) The Cabinet endorsed Governor Adams' statement that final plans would be completely contingent upon the advice of the conference of physicians on Sunday, and on the wishes of the President.

(c) As soon as plans are definite enough, the Vice President will make the necessary assignments for arrangements.

2. Follow-up on Hoover Commission Reports CI - 33

ACTION: (a) The Cabinet noted with approval Mr. Kestnbaum's outline of the procedures to be followed (cf CI - 33) in taking Executive Branch action on the recommendations of the Hoover and Kestnbaum Commissions.

(b) It was agreed that the following steps should be taken to ensure proper public disclosure of Executive Branch action:

(cont.)

(i) An over-all survey of Executive Branch action to date should be made public by Mr. Kestnbaum.

(ii) Individual departmental statements can be made subsequently, but such statements should be coordinated with Mr. Kestnbaum as to timing.

(iii) The White House Assistant Press Secretary will communicate with the respective departmental press officers to explain and clarify the agreed steps.

3. Proposals for Tax Policy Position

ACTION: The Cabinet approved the tax policy position proposed by the Secretary of the Treasury:

(a) Excise taxes expiring on April 1, 1955, should be continued without reduction for one more year;

(b) The corporate tax rate reduction coming on April 1, 1955, should be postponed without reduction for one more year;

(c) As soon as possible after next May 1, careful estimates of deficit or surplus should be made for FY's 1956 and 1957;

(d) If, according to those estimates, the budget will be balanced in FY 1956 and will show a surplus in FY 1957, the amount of that estimated surplus can be proposed to the Congress as tax reduction, with the distribution to be determined after the estimated amount is known. This proposal is to be made only after May 1 -- when these estimates have been made -- for enactment before Congress adjourns.

(e) If those estimates indicate no balance in FY 1956 or no surplus in FY 1957 under existing law, any attempt to reduce taxes is to be resisted in every possible manner.

(f) When and only when that future time comes that national security expenses can safely be reduced, taxes should be reduced more slowly than are expenditures, in order that indebtedness can itself be reduced.

(cont.)

4. Preliminary Discussion of HEW's Program

ACTION: Subject to later consideration, through normal Bureau of the Budget procedures, of the total government legislative program for 1956, the Cabinet approved the proposals which the Secretary of Health, Education and Welfare will now present to the President:

(a) Basic changes in the Social Security System, such as the broadening of benefits and corresponding increases in payments are to be opposed.

(b) Subject to the Department of Justice's findings concerning the Sherman Act, the Administration will not press the reinsurance provisions of the omnibus health bill, but will encourage private insurance companies, on a pooled-risk basis (with government standards and inspection) to offer policies where additional coverage is needed:

(i) for the aged
(ii) for compensation for catastrophic illness
(iii) in rural areas

(c) The federal share of new cases of old age assistance grants from now on should be allowed to go no higher than 50%.

(d) The Administration will not press for an additional grant-in-aid program for medical care for the aged pending further discussions by the Secretary of Health, Education and Welfare with local officials to explore the possibility of greater local assumption of these expenses.

(e) Rather than let this year's appropriations for medical research be determined only by ~~a~~ competitive ~~scramble~~ log-rolling on the Hill among the interested groups and institutions, the Department of Health, Education and Welfare will draw up, after soliciting the views of ~~in consultation with~~ these groups and institutions, a comprehensive, balanced program for medical research and facilities for presentation to the Congress.

(f) The Administration's program for aid to school classroom construction this year should be as follows:

(i) Assuming a continued increase in local and state construction expenditures (an annual increment of 5000 classrooms) ~~annually~~, the remaining backlog should be financed half by the Federal Government and half by the states -- i.e. on a matching basis -- over the next 5 years.

(cont.)

(ii) This aid should be given under a formula whereby needy states, and within the states, needy localities, receive proportionately greater aid.

(iii) The estimated cost: $250,000,000 annually for each of five years.

(iv) Public emphasis: that this is an emergency, once-only program to help reduce the present overwhelming backlog of needed classrooms.

5. Proposed Executive Order Relating to WOC's and to Experts and Consultants

ACTION: In view of the agenda commitment in Item A below, the Attorney General will arrange to have this matter handled through the Bureau of the Budget's normal procedure for clearing Executive Orders. If appropriate, he will present it later to the Cabinet, prior to signature.

ADDITIONAL ITEMS:

A. Future Schedule and Agenda

ACTION: The Cabinet agreed that its next two meetings would be on Tuesday, November 15 and Monday, November 28, and that the draft State of the Union Message would be circulated in advance for discussion at the November 15 meeting.

Maxwell M. Rabb
Secretary to the Cabinet

DE saw
11/8/55
4:30 p.m.

THE WHITE HOUSE
WASHINGTON

November 4, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of the Cabinet Meeting of November 4

1. Follow-up on Hoover Commission Reports

Mr. Meyer Kestnbaum described the two interagency committees which the Executive Branch would be using to firm up its decisions on the recommendations of the Hoover and Kestnbaum Commissions: a group chaired by Rowland Hughes to discuss policy issues, and Mr. Rockefeller's Presidential Advisory Committee on Government Organization to consider organization matters. There would be, of course, certain major questions of public policy (e.g. power, veterans, Senior Civil Service) which will require Cabinet attention.

Mr. Kestnbaum emphasized how closely he was going to be working with Clarence Francis' Citizens Committee for the Hoover report and that he was going to try to steer them

(a) away from the score-board type of follow-up and

(b) toward working with the Congress to support proposed reorganization legislation.

Deputy Secretary Robertson commented that the Defense Department had gone through 60 percent of the Hoover Commission recommendations concerning Defense with concurrence on 80 percent of those processed, and went on to say that Defense regards many of the Hoover recommendations as in effect long-range goals.

To ensure proper public disclosure of the actions which the Executive Branch has taken to implement the Hoover reports it was agreed that:

(i) An over-all survey of Executive Branch action to date should be made public by Mr. Kestnbaum.

(ii) Individual departmental statements can be made subsequently, but such statements should be coordinated with Mr. Kestnbaum as to timing.

2. Proposals for Tax Policy Position

The Cabinet approved the tax policy position proposed by the Secretary of the Treasury:

(a) Excise taxes expiring on April 1, 1956, should be continued without reduction for one more year;

(b) The corporate tax rate reduction currently scheduled to take effect on April 1, 1956, should be postponed without reduction for one more year;

(c) As soon as possible after next May 1, careful estimates of deficit or surplus should be made for FY's 1956 and 1957;

(d) If, according to those estimates, the budget will be balanced in FY 1956 and will show a surplus in FY 1957, the amount of that estimated surplus can be proposed to the Congress as tax reduction, with the distribution to be determined after the estimated amount is known. This proposal is to be made only after May 1 -- when these estimates have been made -- for enactment before Congress adjourns.

(e) If those estimates indicate no balance in FY 1956 or no surplus in FY 1957 under existing law, any attempt to reduce taxes is to be resisted in every possible manner.

(f) When and only when that future time comes that national security expenses can safely be reduced, taxes should be reduced more slowly than expenditures, in order that indebtedness can itself be cut back.

Mr. Humphrey emphasized that we are on the razor's edge in budget balancing -- so much so that the receipts in one day's mail next June 29 could make the difference as to whether we make our goal or not.

Director Hughes warned that the individual departments and agencies had already proposed new programs for FY 1957 to the Bureau of the Budget, the total costs of which may be as high as $800 million. Mr. Robertson pointed out that the maintenance of the new air force wings and the exploitation of new technological break-throughs in armaments were going to mean more money for defense in 1957.

Mr. Humphrey said it was his opinion that if we want to add new expenditures next year, we will have to take something away, and that if we can't balance this year's budget by next June "we ought to hang our heads and put our tails between our legs."

The Cabinet agreed with Dr. Flemming's appraisal: that right now we are in a war or semi-war economy and that we cannot make any sweet promises which go beyond Mr. Humphrey's proposals.

When asked whether the Federal debt itself could be reduced by any surplus we might have, Secretary Humphrey referred to his point (f) above and went on to comment that if we want to keep our economy as we know it -- which is based on a money incentive -- and not return to an incentive-less society run by government dictation, we cannot tax our citizens any more deeply, and therefore must wait until a more peaceful world allows us to accumulate a significant budget surplus.

3. Governors' Reaction to Our Highway Proposal

In Item 4 of my memorandum of last week, I summarized the agreed proposal on highways which Secretary Weeks yesterday submitted informally to the Governors Committee. Today at Cabinet he reported that they had given him a rough time. The Governors seemed to want excise taxes to be applied to roads, and seemed to be very much against any increase in the gasoline tax. Mr. Weeks, for his part, feels that only about five thousand of the 40,000-mile inter-state system could be economically supported by tolls -- and half of this 5,000 are toll roads already built. His conclusion as of now is that both the Administration and the Governors will simply look to Congress to do the wrestling with these proposals.

4. Preliminary Discussion of HEW's Program

Secretary Folsom presented to the Cabinet the proposals which he will discuss with you next week. Briefly, they are as follows:

(a) Social Security

Basic changes in the Social Security System, such as the broadening of benefits and corresponding increases in payments are to be opposed.

(b) Health

(i) Concerning reinsurance (to cover the aged, catastrophic illness, and people in rural areas):

Insurance Companies have recently indicated that they would be interested in working out a pooled risk arrangement which would enable them to offer -- under Government standards and inspection -- private insurance coverage for the above three sub-standard risk categories. Naturally, this pooling of risk would be contingent upon an exemption from the anti-trust statutes. (The Attorney General commented here that if the Cabinet supported this, Justice believed it could be worked out).

(ii) Old Age Assistance:

The federal share of new cases of old age assistance grants from now on should be allowed to go no higher than 50%.

(iii) Medical Care for the Aged:

We should not press for an additional grant-in-aid program for medical care for the aged pending further discussions by the Secretary of Health, Education and Welfare with local officials to explore the possibility of greater local assumption of these expenses.

(iv) Medical Research and Facilities:

Rather than let this year's appropriations for medical research be determined by competitive log-rolling on the Hill among the interested groups and institutions, the Department of Health, Education and Welfare will draw up, after soliciting the views of these groups and institutions, a comprehensive, balanced program for medical research and facilities, for presentation to the Congress.

In presenting this item Secretary Folsom mentioned the surprising fact that the total spent for medical research -- publicly and privately -- in our entire country was only $180 - $200 million a year, with the government accounting for about one-half of it and Dupont alone for another $60 million. The Cabinet was surprised at these low figures and agreed that there were few fields in which government money could be spent to better advantage.

(c) School programs:

The Administration's 1956 program for aid to school classroom construction should be as follows:

(i) Assuming a continuing increase in local and state construction expenditures (an annual increment of 5,000 classrooms), the remaining backlog should be financed half by the Federal Government and half by the states -- i.e. on a matching basis -- over the next five years.

(ii) This aid should be given under a formula whereby needy states, and within the states, needy localities, receive proportionately greater aid.

(iii) The estimated cost: $250,000,000 annually for each of the five years.

(iv) Public emphasis: that this is an emergency, once-only program to help reduce the present overwhelming backlog of needed classrooms.

Director Hughes, while conceding that expenses under this proposed program would not affect our delicately balanced 1956 budget picture, they will leave little room for any other new legislative programs in FY 1957.

When questions were raised about this proposed grant-in-aid program as to principle and as to magnitude, Secretary Folsom reminded his colleagues that -- as to principle, we crossed that bridge in our school proposal last year and as to magnitude, the actual outlays for this program would be very little more than those we would have had to make in FY 1957 had our school bill of last year passed.

Mr. Benson then summarized the feelings of several in the Cabinet who were unhappy to see this large new grant-in-aid program proposed: ideally, State and local governments should provide classrooms themselves, but the shortage and the need are so overwhelming and so indisputable that if we don't propose a program which meets this need, the President will be faced in short order with passage by both House and Senate of what will be to us a totally unacceptable piece of legislation.

Some apprehension was expressed about Mr. Folsom's assumption that State and local governments would in fact continue to increase their expenditures for schools, as soon as they knew that the Federal Government was in the picture. A final question was raised: How could the Federal Government enforce the continued or increased levels of expenditures which Secretary Folsom assumes?

Maxwell M. Rabb
Secretary to the Cabinet

IMPORTANT NOTE: TO DENVER SIGNAL CORPS RECIPIENT:

Please type up this transmission as a memorandum to the President in final form. Please have it ready for Gov. Adams to present to the President early Saturday morni[illegible]

RECEIVED
1955 OCT 5 00 33

November 4, 1955

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of the Cabinet Meeting of November 4

1. Follow-up on Hoover Commission Reports

Mr. Meyer Kestnbaum described the two interagency committees which the Executive Branch would be using to firm up its decisions on the recommendations of the Hoover and Kestnbaum Commissions: a group chaired by Rowland Hughes to discuss policy issues, and Mr. Rockefeller's Presidential Advisory Committee on Government Organization to consider organization matters. There would be, of course, certain major questions of public policy (e.g. power, veterans, Senior Civil Service) which will require Cabinet attention.

Mr. Kestnbaum emphasized how closely he was going to be working with Clarence Francis' Citizens Committee for the Hoover report and that he was going to try to steer them

(a) away from the score-board type of follow-up and

(b) toward working with the Congress to support proposed reorganization legislation.

Deputy Secretary Robertson commented that the Defense Department had gone through 60 percent of the Hoover Commission recommendations concerning Defense with concurrence on 80 percent of those processed, and went on to say that Defense regards many of the Hoover recommendations as in effect long-range goals.

To ensure proper public disclosure of the actions which the Executive Branch has taken to implement the Hoover reports it was agreed that:

(i) An over-all survey of Executive Branch action to date should be made public by Mr. Kestnbaum.

(ii) Individual departmental statements can be made subsequently, but such statements should be coordinated with Mr. Kestnbaum as to timing.

2. Proposals for Tax Policy Position

The Cabinet approved the tax policy position proposed by the Secretary of the Treasury:

(a) Excise taxes expiring on April 1, 1956, should be continued without reduction for one more year;

(b) The corporate tax rate reduction currently scheduled to take effect on April 1, 1956, should be postponed without reduction for one more year;

(c) As soon as possible after next May 1, careful estimates of deficit or surplus should be made for FY's 1956 and 1957;

(d) If, according to those estimates, the budget will be balanced in FY 1956 and will show a surplus in FY 1957, the amount of that estimated surplus can be proposed to the Congress as tax reduction, with the distribution to be determined after the estimated amount is known. This proposal is to be made only after May 1 -- when these estimates have been made -- for enactment before Congress adjourns.

(e) If those estimates indicate no balance in FY 1956 or no surplus in FY 1957 under existing law, any attempt to reduce taxes is to be resisted in every possible manner.

(f) When and only when that future time comes that national security expenses can safely be reduced, taxes should be reduced more slowly than expenditures, in order that indebtedness can itself be cut back.

Mr. Humphrey emphasized that we are on the razor's edge in budget balancing -- so much so that the receipts in one day's mail next June 29 could make the difference as to whether we make our goal or not.

Director Hughes warned that the individual departments and agencies had already proposed new programs for FY 1957 to the Bureau of the Budget, the total costs of which may be as high as $800 million. Mr. Robertson pointed out that the maintenance of the new air force wings and the exploitation of new technological break-throughs in armaments were going to mean more money for defense in 1957.

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Maxwell M. Rabb
Secretary to the Cabinet

November 3, 1955

MEMORANDUM FOR THE VICE PRESIDENT

SUBJECT: Tentative Cabinet Agenda for November 4

The following items are tentatively scheduled for the agenda for the November 4 Cabinet Meeting:

1. Report from Denver

The Assistant to the President
The Postmaster General
The Secretary of Labor

This is the weekly item which gives Governor Adams, others who have recently conferred with the President, and the Cabinet an opportunity to exchange information on developments in Denver.

2. Follow-up on Hoover Commission Reports

Mr. Meyer Kestnbaum

Mr. Kestnbaum, Special Assistant to the President for handling the recommendations of the Hoover and Kestnbaum Commissions, will explain to the Cabinet how he intends to go about his work. This item is important for Cabinet since the cooperation of every Cabinet Member is going to be required to ensure that the Administration gets the full benefit of the recommendations of these two Commissions.

3. The Treasury Proposal on Tax Policy

The Secretary of the Treasury

Secretary Humphrey is expected to propose that the Administration:

(continued next page)

November 3, 1955

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3. The Treasury Proposal on Tax Policy

The Secretary of the Treasury

Secretary Humphrey is expected to propose that the Administration:

(continued next page)

(a) Postpone decision on recommendations for tax reduction until May, when it will be possible to know whether the current and prospective budgets will justify reduction;

(b) Meantime, repeal the reductions in excise and the corporate tax rate now scheduled to become effective April 1.

4. Preliminary Discussion of HEW's Program
The Secretary of Health, Education and Welfare

(a) Legislative Proposals

(b) The White House Conference on Education

Secretary Folsom wants to give the Cabinet his thinking on the kind of program the Administration should propose in the Health, Education and Welfare fields for 1956. He will also refer to the present status of planning for the White House Conference on Education, to be held here at the end of this month.

5. Proposed Executive Order Relating to WOC's and to Experts and Consultants
The Attorney General

At the Cabinet Meeting of July 29, there was an extensive discussion of the use of WOC's, experts, and consultants. A number of suggestions were made by the Attorney General and by other members of the Cabinet, and several basic principles were enunciated which evoked favorable reaction from the President.

Growing out of this discussion and from subsequent interagency consultation, Justice has prepared a proposed Executive Order and is presenting this Order for the concurrence of the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED
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CI - 33

November 2, 1955

The White House
Washington

THE CABINET

Establishment of the Policy Committee on the Hoover Reports

For information of the Cabinet, attached is a memorandum which, stemming from a decision of the Assistant to the President, sets up within the Cabinet framework, an interdepartmental Policy Committee. The task of this Committee will be to consider major policy issues arising in connection with Executive Branch study of the Reports of the Hoover and Kestnbaum Commissions and with the decisions on implementation of the recommendations in those Reports.

The President's Advisory Committee on Government Organization, working closely with Mr. Kestnbaum, will continue to advise the President on organizational issues involved in the implementation of these Reports.

It is expected that the Cabinet, by reference from these two Committees, will from time to time consider major questions arising during the study and implementation of the Recommendations of the Hoover and Kestnbaum Commissions.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Information

CABINET PAPER—PRIVILEGED

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November 2, 1955

MEMORANDUM TO THE CABINET

Subject: Establishment of Policy Committee on Hoover Reports

With further reference to Cabinet Record of Action 31, Item A, a Policy Committee has been established by the Assistant to the President, within the Cabinet framework, to consult with Mr. Kestnbaum, Special Assistant to the President, in developing proposals to the President for actions based upon recommendations of the Hoover Commission. The regular members of the group are:

Mr. Rowland Hughes, Chairman

Mr. Arthur S. Flemming

Mr. Herbert Brownell

Mr. Sinclair Weeks

Mr. Reuben Robertson

Mr. Joseph Dodge

All meetings of the Committee are to be attended by one or more members of the White House Staff. Other Cabinet officers will be invited to meetings as ad hoc members of the Committee when items affecting their agencies are under consideration.

Mr. Kestnbaum will attend all meetings of the Committee and present for discussion matters which in his judgment require the consideration and advice of the Committee before he finally determines upon his recommendations to the President. The items to be considered will generally be matters of high policy significance. Also, the Committee may ask for discussion of any other matter relating to the recommendations in the Hoover Commission reports.

In making themselves available for consultation with Mr. Kestnbaum, the responsibility of the members of the group for direct advice to the President on matters affecting their own offices is in no way diminished.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

RA - 36

November 5, 19

The White House

Washington

THE CABINET

Record of Action

The following action was taken on the items presented at the Cabinet Meeting of November 4, 1955:

1. Report from Denver -- Schedule for the President's Return

ACTION: (a) The Cabinet noted with approval the tentative schedule which was proposed by Governor Adams after consultation with the President's physicians:

(i) Arrival at 3:30 p.m., November 11

(ii) The Cabinet, the Diplomatic Corps and the public invited to be present at the Airport

(iii) An uninterrupted motorcade to the White House, with the public encouraged to greet the President from the Lincoln Memorial to the White House and particularly in the 1600 block of Pennsylvania Avenue

(b) The Cabinet endorsed Governor Adams' statement that final plans would be completely contingent upon the advice of the conference of physicians on Sunday and the wishes of the President.

(c) As soon as plans are definite enough, the Vice President will make the necessary assignments for arrangements.

2. Follow-up on Hoover Commission Reports CI - 33

ACTION: (a) The Cabinet noted with approval Mr. Kestnbaum's outline of the procedures to be followed (cf CI - 33) in taking Executive Branch action on the recommendations of the Hoover and Kestnbaum Commissions.

(b) It was agreed that the following steps should be tak to ensure proper public disclosure of Executive Branch action:

November 5, 195

(cont.)

(i) An over-all survey of Executive Branch action to date should be made public by Mr. Kestnbaum.

(ii) Individual departmental statements can be made subsequently, but such statements should be coordinated with Mr. Kestnbaum as to timing.

(iii) The White House Assistant Press Secretary will communicate with the respective departmental press officers to explain and clarify these agreed steps.

3. Proposal for Tax Policy Position

ACTION: The Cabinet approved the proposals on Tax policy presented by the Secretary of the Treasury. These proposals will be submitted for inclusion in the State of the Union Message.

4. Preliminary Discussion of HEW's Program

ACTION: Subject to review, through the Bureau of the Budget, of the total 1956 legislative program, the Cabinet approved the preliminary proposals on social security, health and education presented by the Secretary of Health, Education and Welfare. These proposals will be discussed with the President and submitted, as appropriate, for inclusion in the State of the Union Message.

5. Proposed Executive Order Relating to WOC's and to Experts and Consultants

ACTION: In view of the agenda commitment in Item A below, the Attorney General will arrange to have this matter handled through the Bureau of the Budget's normal procedure for clearing Executive Orders. If appropriate, he will present it later to the Cabinet prior to signature.

ADDITIONAL ITEMS:

A. Future Schedule and Agenda

ACTION: The Cabinet agreed that its next two meetings would be on Tuesday, November 15 and Monday, November 28, and that the draft State of the Union Message would be circulated in advance for discussion at the November 15 meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CP - 40

November 3, 1955

The White House

Washington

THE CABINET

Discussion of the Proposed Executive Order Relating to the Employment of WOC's and "Experts and Consultants" under the Defense Production Act as Amended

For consideration by the Cabinet, attached is a paper discussing the requirements for and the principal issues involved in a new Executive Order relating to the employment of WOC's, Experts and Consultants under the Defense Production Act, as amended during the first session of the 84th Congress (Public Law 295).

This proposed Order, the text of which will be sent shortly through the regular Bureau of the Budget clearance procedure, will supersede Executive Order 10182 of November 21, 1950.

One specific issue for Cabinet consideration is underscored in the final section of the attached paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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November 3, 1955

THE CABINET

Discussion of the proposed Executive Order relating to the Employment of WOC's and "Experts and Consultants" under the Defense Production Act as amended.

I. What this Order does.

(1) Delegates to appropriate department or agency heads power to hire WOC's and "experts and consultants" which the Defense Production Act gives the President.

(2) Details for WOC's and "experts and consultants" hired pursuant to this delegation the limited conflict-of-interest exemption the D.P.A. specifies.

(3) Spells out certification, statements and survey requirements provided by the Defense Production Act.

(4) Supersedes existing Executive Order 10182, as amended.

(5) Note, however, the proposed order applies only to employment of WOC's and "experts and consultants" under the D.P.A. This order would cover, then, roughly 338 WOC's and 174 "experts and consultants." Other Acts, of course, may permit employment of such personnel (see, e.g., 5 USC 55a). And, indeed, Comptroller General decisions suggest such personnel may be hired without express statutory provisions; they reason that an agency head's power to set salary includes the power to employ at no salary (see, e.g., 26 Comp. Gen. 956; 27 Comp. Gen. 194). Under no statutes besides the D.P.A., however, can WOC's or "experts and consultants" be exempted from conflict of interest provisions (but cf. 12 USC 1701(h)).

II. Why this Order is needed.

(1) Congress by its 1955 D.P.A. amendments lifted some portions of Executive Order 10182. Left, as a result, is an Order which both overlaps the D.P.A.'s prescriptions and incompletely specifies how authority granted by the Act's new provisions is to be exercised.

(a) The new Act provides, for example, in sec. 710(b)(3) a new standard governing employment of WOC's, i.e., when policy matters are involved, WOC's may act only in an advisory capacity. This new standard is not embraced in E.O. 10182 and must be included in the present Order delegating power to employ WOC's.

(b) The Act requires the WOC to publish certain of his financial interests. Compliance with these requirements must be specified in the new Order.

(2) Experience under the old Order suggests some change in its provisions. For example, under E.O. 10182 the Civil Service Commission was required to report quarterly. Congress incorporated and expanded the old Order's survey requirements in the statute. Fulfilling this statutory requirement, the new Order spells out and specifies the course surveys should take.

(3) Most important, issuance of this new Order is necessary so that agencies employing WOC's under the D.P.A. may comply with the D.P.A.'s new filing requirements in a prompt, uniform and complete fashion.

III. How the 1955 amendments, and this proposed Order effectuating them, would change present operations under the Defense Production Act.

(1) First, the power of any agency head assigned functions under this statute to employ WOC's or "experts and consultants." The amended statute and the proposed Order preserve for agency heads essentially the same power to employ WOC's and "experts and consultants" they now have. Whatever changes the Order would make in agency heads' power to employ WOC's generally reflect changes Congress made in the Defense Production Act. Whatever changes the Order would make in the power to employ "experts and consultants," like present E.O. 10182, generally parallel those statutory changes Congress has specified for WOC's.

To this general rule, however, two exceptions should be noted: (a) Unlike present procedures, the new Order would impose the same limitation on delegation of power to employ "experts and consultants" as presently govern WOC's; and (b) the new Order would require that any specific recommendation by any WOC on any "policy" matter be made in writing. This requirement aims to avoid difficulties that have stemmed from inability to identify recommendations by WOC's.

(2) Conflict of Interest Exemption. The new amendments and this proposed Order do not substantially change the present conflict of interest exemption for WOC's and "experts and consultants." Whatever changes the new Order would make regarding the exemption for WOC's merely reflect the changes in statutory language. Whatever changes the new Order would make regarding exemption for "experts and consultants," again as under present procedure, merely parallel the exemption Congress has specified for WOC's.

(3) Certification Requirements. Congress by its 1955 amendments wrote into the Defense Production Act certification requirements now embodied in E.O. 10182. The proposed Order, first, repeats the statutory language specifying what each agency head must certify before employing any WOC under this Act. Second, to effectuate the statute's purpose, the Order specifies an accompanying statement to be made by any agency head employing a WOC under this Act. This accompanying statement, though not required by present procedure, is necessary for the Civil Service Commission to fulfill its survey requirements imposed by Congress.

(4) Filing Requirements. These are completely new. Congress by the 1955 amendments requires any WOC employed under this Act to file in the Federal Register certain financial information. To ensure uniform compliance throughout the Government, this Order aims in some reasonable manner to spell out how these filing requirements should be met.

IV. One principal issue for the Cabinet to decide: Whether the financial filing requirements which the Act specifies, and this Order spells out, should apply, on the one hand, to all WOC's presently employed under the Act--regardless of when appointed, or, on the other, only to WOC's appointed subsequently to August 1, 1955, the effective date of the 1955 amendments.

Legislative history indicates that Congress may well have assumed that the filing requirements would apply to all WOC's. However, the debates reveal no specific statement to that effect. Thus, one permissible construction may be that the requirements apply only to WOC's appointed subsequently to August 1 of this year. Accordingly, since the law does not unequivocally direct us one way or another, this issue is presented to the Cabinet for discussion.

On the one hand, applying filing requirements to all WOC's presently employed, no matter when appointed, may avoid trouble for both Government agencies employing WOC's as well as the individual WOC's themselves.

Any construction of the Act which excludes WOC's presently employed from filing, may be attacked as an effort at circumvention. Such criticism may also reflect on individual WOC's whose failure to file might be construed as an attempt to hide their financial affiliations. This criticism might take on some force since the statutory language re other limitations on WOC's, e.g., that they only advise where policy matters are involved, probably applies to all WOC's--no matter when appointed. Thus, construing filing requirements to apply only to WOC's appointed since August 1, 1955, would mean that this requirement has a coverage narrower than the Act's other limitations.

On the other hand, these financial filing requirements are burdensome. For example, although a WOC is not required to list amounts of stock, he must publish the names of the corporations in which he has any interest. And requiring WOC's presently employed to either comply with the filing requirements or leave their jobs might both deprive the Government of competent personnel and embarrass WOC's who were employed when no filing was required. (It should be noted here, however, that almost three months have elapsed since these requirements became law.)

CABINET PAPER—PRIVILEGED

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CA - 37

November 14, 1955

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Tuesday, November 15, 1955

1.	Discussion of the Proposed Executive Order Relating to the Employment of WOC's and "Experts and Consultants" under the Defense Production Act as Amended	CP - 40	The Attorney General
2.	Discussion of Proposed Executive Order Relating to Public Advisory Committees	~~CP - 42~~	The Attorney General
3.	The Department of Commerce's Legislative Program	(Oral)	The Secretary of Commerce
4.	Employment - Unemployment Statistics	(Oral)	The Secretary of Commerce

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BWC NLE, Date 8-6-76

MINUTES OF CABINET MEETING

NOVEMBER 15, 1955
9:00 A.M. - 10:55 A.M.

The following were present:

Vice President Nixon
    (presided in absence of the President)

Under Sec. of State Hoover
    (for Sec. Dulles)
Under Sec. of Treasury Rose
    (for Sec. Humphrey)
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay, and
    Under Sec. of Interior Davis
Sec. Benson
Sec. Weeks, and
    Asst. Sec. of Commerce McClellan
Sec. Mitchell
Sec. Folsom

Deputy Director Brundage
    (for Mr. Hughes)
Dr. Flemming
Chairman Young
Dr. Burns

Gov. Adams
Dr. Hauge
Mr. Morgan
Mr. Harlow
Mr. Martin
Gov. Pyle
Mr. Murray Snyder
Mr. McCann
Mr. Rabb
Mr. Minnich
Mr. Patterson

WOC's and Consultants - (CP-40) - The Attorney General stated that the one point in this paper remaining for Cabinet decision was whether WOC's presently employed should be required to make public in the Federal Register their financial holdings in the same manner as future WOC's will be required to do by the proposed Executive Order. He stated that Sec. Weeks, Dr. Flemming and he were in agreement that they should, for a very difficult situation would be created if all WOC's employed were not treated on an equal basis. Sec. Wilson stated his agreement.

Sec. Benson asked how the measure would apply to consultants, and the Attorney General informed him it would apply only to those hired in connection with the Defense Production Act.

Dr. Flemming suggested that agency heads proceed in having the necessary information filed in anticipation of the Order, so as to minimize potential criticism of Administration compliance.

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E.O. 11652, Section 1
By DHC NLE, Date 8-6-76

Sec. Wilson wished clarification of the situation with regard to terminal allowances and pension arrangements by private companies with individuals leaving for Government service. The Attorney General stressed the key point as being whether or not there existed any written or verbal agreements for the individual to return to the company subsequent to his Government service. Mr. Rose outlined the Treasury policy in this regard -- that a separation allowance would seem to be in order if there were no commitment for future return, that there was no objection to restoration of pension rights if the person did in fact return to the company, and that any separation allowance given should be reasonable in terms of length of prior service, position, responsibility, etc. Dr. Flemming believed a uniform practice throughout the Government should be used. Sec. Benson tended to agree. Sec. Weeks believed uniformity unnecessary and preferred to leave the responsibility with the individual for making satisfactory arrangements. The Vice President voiced favor for the Treasury guide lines but did not desire to see an Executive Order published on the subject. Mr. Flemming agreed and noted that Congressional Committees would attempt to play one department against another if their practices differed. Mr. Rose suggested as a possible substitute for a document the establishment of a mechanism whereby department and agency heads could seek and obtain guidance on general practices and specific cases.

It was agreed that Chairman Young should canvass present practices, determine what is the pattern for current practices, and coordinate with the Attorney General as to any recommendations that might be brought before the Cabinet subsequently.

Public Advisory Committees - The Attorney General indicated that he was not yet ready to recommend issuance of an Executive Order on this subject, but desired to have Cabinet guidance on the possible need for one. He recalled the guide lines set forth previously in regard to Industry Advisory Committees for the purpose of avoiding any conflict with anti-trust laws. Dr. Flemming saw much merit in the establishment of a system of practices through issuance of an Executive Order applicable both to Industrial Committees and Public Advisory Committees. Sec. Wilson thought it advantageous to have an Order. Sec. Weeks warned of the adverse effects of an Order on various committees and believed the matter should be given further serious consideration. The Vice President foresaw the difficulty of writing an Order broad enough to cover all types of committees yet specific enough to do any good.

Dr. Flemming believed that as a minimum the practice should be established of having a Government official as chairman of any advisory committee or present as an observer so he could certify to the accuracy of the minutes of any meeting. The Attorney General agreed that this was the objective.

Secretaries Folsom and Mitchell cautioned against over-formalization of regulations in this respect.

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At the Vice President's request, Governor Adams commented on the President's extreme sensitivity to any suggestions of irregularity. Governor Adams believed Dr. Flemming's suggestion of greater uniformity was valuable for administrative purposes but that further study would be necessary to determine whether such purposes and accompanying principles could be accurately translated into a public document. It was agreed that the Attorney General would pursue the matter further for subsequent Cabinet discussion.

Commerce Legislative Program - Sec. Weeks first cited his Department's interest in extension of the Defense Production Act and in regard to labor legislation, both of which were the primary responsibility of other departments. As for Commerce, he indicated that he would soon request a $12 million supplementary appropriation for construction of the hull of an atomic powered merchant vessel. He set forth the Department's interest in the highway program, in transport policy legislation, Patent Office affairs, flood insurance, and in some legislation aimed at helping to get the Government out of business. He called on Assistant Secretary McClellan to set forth the situation concerning export controls and the need for renewal of present legislation due to expire June 30th. Mr. McClellan thought it essential that the continuation be for a period of three or more years.

In regard to highways, Mr. Weeks noted the need for making further progress with the Governors in order to be prepared for discussion of the subject with the Legislative Leaders in mid-December. Governor Adams commented that Sec. Weeks had in reserve some alternatives to present to the Governors after sufficient opportunity had been given them to come up with a solution. The Vice President stressed the importance of pressing for a road program this year with or without the concurrence of the Governors.

Cabinet Schedule - Governor Adams indicated that the next Cabinet meeting with the doctors' concurring, would be held at Camp David on November 22nd. After discussion, it was agreed that the agenda should consist of the Water Resources Policy paper and those parts of the agriculture program which could be ready for discussion by then. Mr. Hoover stressed the importance of allowing sufficient time for staff considerations of the discussions at Geneva as they regard barter arrangements. Mr. Benson indicated that certain other parts of the agriculture program would not be ready until after his mid-December meeting with the Agriculture Public Advisory Commission.

It was agreed that foreign trade aspects would first have to be considered by the Dodge Council and perhaps be ready for the December 2nd Cabinet meeting.

Employment-Unemployment Statistics - Sec. Weeks reviewed earlier discussion of this matter and reported that it seemed essential to publish

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in June the estimates which result from the revised statistical procedure. He stated that precautions against undue discrepancies would be taken by having a number of trial runs during the months preceding the first official publication. Dr. Burns concurred in the fact that no good alternative seemed available.

Sec. Mitchell suggested that the appropriate experts be especially sensitive to the impact of any enlargement of sampling insofar as it tends to increase the coverage of agricultural elements. Dr. Burns stated that they were alert to the problem.

Public Information - The Vice President called attention to the Moss Committee hearings on availability of information, and cited comments from friendly publishers who seemed to believe the Administration was overly restrictive. He stated that he had asked Governor Pyle to look into the problem. Governor Pyle and Murray Snyder indicated that they would pursue the matter and make appropriate recommendations.

White House Education Conference - The Vice President recalled the effectiveness of Cabinet participation in the meetings of the Equal Economic Opportunity Conference. He hoped that some similar arrangement could be made with regard to the White House Education Conference. Sec. Folsom indicated that he would be in touch with members of the Cabinet as to arrangements, with the expectation that the most desirable appearance of Cabinet members would be at the Reception.

Rediscount Rates - The Vice President called attention to several criticisms leveled against the Federal Reserve Board rediscount rate, and suggested that close consideration be given to any contemplated further restriction at this time. He believed any new move might better be taken after the President returns to full activity.

* * * *

The Vice President concluded the meeting with a tribute to Governor Adams for his effective handling of the difficult Denver operation.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

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CABINET PAPER—PRIVILEGED

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RA - 37

November 16, 1955

The White House

Washington

THE CABINET

Record of Action

The following action was taken on the items presented at the Cabinet Meeting of November 15, 1955:

1. Discussion of the Proposed Executive Order Relating to the Employment of WOC's and "Experts and Consultants" under the Defense Production Act as Amended — CP - 40

ACTION:

(a) Subject to final clearance of the text through normal Bureau of the Budget channels, the Cabinet approved the issuance of the Executive Order referred to in CP - 40.

(b) With respect to Section IV of CP - 40, the Cabinet agreed that the filing requirement should apply to all WOC's employed, under the Defense Production Act as amended on the effective date of the Executive Order.

(c) The Attorney General will consult the White House Press Secretary as to the method and timing of making the Order public.

(d) With respect to certain other questions (e. g. separation allowances) involved in hiring personnel, the Advisor on Personnel Management and the Attorney General will canvass the Departments and agencies concerning present practices, as a basis for further Cabinet discussion of the practicability of developing uniform guidelines.

2. Discussion of Proposed Executive Order Relating to Public Advisory Committees

ACTION: The Attorney General will bring together for subsequent Cabinet discussion principles which might provide the basis for greater uniformity of practice in the Executive Branch, without a commitment to any formalization of such principles.

3. The Department of Commerce's Legislative Program

ACTION: The Cabinet noted without objection the legislative proposals submitted by the Secretary of Commerce. Final clearance will be obtained through the normal Bureau of the Budget channels.

CABINET PAPER

For Action

RA - 37
(continued)

4. Employment - Unemployment Statistics

ACTION: The Cabinet noted without objection the report given by the Secretary of Commerce concerning the publication of these figures next June under the revised statistical procedures.

ADDITONAL ITEMS:

A. Government Information Policy

ACTION: Appropriate members of the White House Staff will pursue this subject further and will arrange to consult with Cabinet Members affected.

B. The White House Conference on Education

ACTION: The Secretary of Health, Education, and Welfare will be in touch with the Cabinet Members concerning their participation in this Conference.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

November 15, 1955

DE. 11/17/55

SA

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of the Cabinet Meeting of November 15

1. Proposed Executive Order on WOC's

The Attorney General pointed out that the amended Defense Production Act requires a new Executive Order relating to WOC's, the publication of their stockholdings and the delimitation of their role when policy matters are involved. The Cabinet agreed that the new Executive Order should be issued and the publication requirement should be made to apply not only to future WOC's but also retroactively to all WOC's presently employed under the Defense Production Act.

Discussion then turned to a closely related subject (not covered in the Proposed Executive Order): How to handle such problems as the separation allowances which companies often give to their officers who enter government employment. It was soon apparent that there is inconsistency in Executive Branch handling of such problems and that this inconsistency might get the Administration into public trouble. Several specific suggestions were made as to guidelines which might be followed, but warnings were sounded against setting down rules too specifically or too formally.

It was agreed that Messrs. Young and Brownell would canvass the agencies and would propose some principles for later Cabinet discussion.

2. Proposed Executive Order on the Use of Public Advisory Committees

The Attorney General pointed out that there are two kinds of public advisory committees:

(a) Industry advisory committees, where definite rules apply because of anti-trust considerations, and

(b) Other advisory committees of public citizens set up by Department heads on specific problems.

Certain uniform rules would probably be advisable with respect to this latter group of committees (e.g., if the chairman is a non-government officer, arrangements should be made for departmental staff to follow the committee's work very closely).

The same dangers apply in formalizing such rules -- especially by Executive Order: It would tend to breed inflexibility, interfere with discretion of Department heads, and give the appearance that we felt guilty of some wrongdoing heretofore.

It was agreed that the Attorney General would try his hand at drawing up some general principles and rules on public advisory committees of both sorts, and that the Cabinet would then consider the matter; there was a preponderant feeling that an Executive Order would be too formal a device.

3. Commerce Department's Legislative Program

Secretary Weeks summarized the Legislative Program of his Department as follows:

(a) Favors the Renewal of the Defense Production Act.

(Dr. Flemming said our present intent was for a straight extension without amendments).

ARCHIVAL BOND
25% COTTON

(b) **Atomic Ship**

$22.5 million has been approved for FY 1957; $12.5 supplemental will be needed for FY 1956 to start work on the hull.

(c) **Highways**

Although the Governors are unhappy about our pay-as-you-go tax proposal, we plan to present alternative plans to them. We should nevertheless go to the Congress with the best program we, as an Administration, can propose.

(d) **Transport Policy**

The Presidential Advisory Committee report, and the legislation implementing it, submitted last year, are still our position.

(e) **Patent Office Fee Bill**

Favor this, but it is being blocked now in the Senate by Senator O'Mahoney's investigation of the Patent Office.

(f) **Flood Insurance**

Several bills have already been introduced on the Hill; the Administration is still working on its own -- to fulfill your commitment to Governor Roberts.

(g) **Getting the Government out of Business**

Commerce strongly supports the excision of Section 638 of the Defense Department Appropriation Bill.

(h) **Export Controls**

The original Act of July 2, 1940, (since amended) expires June 30, 1956. It permits us to impose controls because of short supply, foreign policy considerations, and National security considerations. Its extension is essential.

4. Employment - Unemployment Statistics

Secretary Weeks reported that it will not be possible to delay the publication of the statistics gathered under the new enlarged-sample method beyond June of 1956. Census has informed him, however, that it is not likely there will be much of a discrepancy between the statistics gathered under the old and under the new methods.

5. Government Information Policy and the Moss Hearings

The Vice President mentioned that several publishers, friendly to the Administration, have suggested that the Executive Branch is vulnerable to some extent to the current charges of suppression of news. Messrs. Pyle, Hagerty and Snyder will study this matter further to determine whether this will merit future Cabinet discussion.

6. The White House Conference on Education

The Vice President commented how effective it had been when nearly all the Cabinet put in an appearance at the Equal Economic Opportunity Conference last month. He suggested that the same be arranged for the coming White House Conference on Education. Secretary Folsom will take care of making the invitations.

7. The Federal Reserve Board Re-Discount Rate

The Vice President told the Cabinet that he had some private apprehension about the recent raising of the re-discount rate by the Federal Reserve Board. He warned against government action which might adversely affect our prosperity by tightening credit too much. Mr. Summerfield commented that reports reaching him tell of much tighter mortgage credit, tighter auto credit and slower auto sales.

8. The Assistant to the President

The Vice President ended the meeting by pointing out that much as Governor Adams may be averse to bouquets, he could not refrain from commending him, on behalf of all the Cabinet, for the efficiency with which the Governor has fulfilled his recent duties.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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CP - 40

November 3, 1955

The White House

Washington

THE CABINET

Discussion of the Proposed Executive Order Relating to the Employment of WOC's and "Experts and Consultants" under the Defense Production Act as Amended

For consideration by the Cabinet, attached is a paper discussing the requirements for and the principal issues involved in a new Executive Order relating to the employment of WOC's, Experts and Consultants under the Defense Production Act, as amended during the first session of the 84th Congress (Public Law 295).

This proposed Order, the text of which will be sent shortly through the regular Bureau of the Budget clearance procedure, will supersede Executive Order 10182 of November 21, 1950.

One specific issue for Cabinet consideration is underscored in the final section of the attached paper.

Maxwell M. Rabb
Secretary to the Cabinet

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November 3, 1955

THE CABINET

Discussion of the proposed Executive Order relating to the Employment of WOC's and "Experts and Consultants" under the Defense Production Act as amended.

I. What this Order does.

(1) Delegates to appropriate department or agency heads power to hire WOC's and "experts and consultants" which the Defense Production Act gives the President.

(2) Details for WOC's and "experts and consultants" hired pursuant to this delegation the limited conflict-of-interest exemption the D.P.A. specifies.

(3) Spells out certification, statements and survey requirements provided by the Defense Production Act.

(4) Supersedes existing Executive Order 10182, as amended.

(5) Note, however, the proposed order applies only to employment of WOC's and "experts and consultants" under the D.P.A. This order would cover, then, roughly 338 WOC's and 174 "experts and consultants." Other Acts, of course, may permit employment of such personnel (see, e.g., 5 USC 55a). And, indeed, Comptroller General decisions suggest such personnel may be hired without express statutory provisions; they reason that an agency head's power to set salary includes the power to employ at no salary (see, e.g., 26 Comp. Gen. 956; 27 Comp. Gen. 194). Under no statutes besides the D.P.A., however, can WOC's or "experts and consultants" be exempted from conflict of interest provisions (but cf. 12 USC 1701(h)).

II. Why this Order is needed.

(1) Congress by its 1955 D.P.A. amendments lifted some portions of Executive Order 10182. Left, as a result, is an Order which both overlaps the D.P.A.'s prescriptions and incompletely specifies how authority granted by the Act's new provisions is to be exercised.

(a) The new Act provides, for example, in sec. 710(b)(3) a new standard governing employment of WOC's, i.e., when policy matters are involved, WOC's may act only in an advisory capacity. This new standard is not embraced in E.O. 10182 and must be included in the present Order delegating power to employ WOC's.

(b) The Act requires the WOC to publish certain of his financial interests. Compliance with these requirements must be specified in the new Order.

(2) Experience under the old Order suggests some change in its provisions. For example, under E.O. 10182 the Civil Service Commission was required to report quarterly. Congress incorporated and expanded the old Order's survey requirements in the statute. Fulfilling this statutory requirement, the new Order spells out and specifies the course surveys should take.

(3) Most important, issuance of this new Order is necessary so that agencies employing WOC's under the D.P.A. may comply with the D.P.A.'s new filing requirements in a prompt, uniform and complete fashion.

III. How the 1955 amendments, and this proposed Order effectuating them, would change present operations under the Defense Production Act.

(1) First, the power of any agency head assigned functions under this statute to employ WOC's or "experts and consultants." The amended statute and the proposed Order preserve for agency heads essentially the same power to employ WOC's and "experts and consultants" they now have. Whatever changes the Order would make in agency heads' power to employ WOC's generally reflect changes Congress made in the Defense Production Act. Whatever changes the Order would make in the power to employ "experts and consultants," like present E.O. 10182, generally parallel those statutory changes Congress has specified for WOC's.

To this general rule, however, two exceptions should be noted: (a) Unlike present procedures, the new Order would impose the same limitation on delegation of power to employ "experts and consultants" as presently govern WOC's; and (b) the new Order would require that any specific recommendation by any WOC on any "policy" matter be made in writing. This requirement aims to avoid difficulties that have stemmed from inability to identify recommendations by WOC's.

(2) Conflict of Interest Exemption. The new amendments and this proposed Order do not substantially change the present conflict of interest exemption for WOC's and "experts and consultants." Whatever changes the new Order would make regarding the exemption for WOC's merely reflect the changes in statutory language. Whatever changes the new Order would make regarding exemption for "experts and consultants," again as under present procedure, merely parallel the exemption Congress has specified for WOC's.

(3) Certification Requirements. Congress by its 1955 amendments wrote into the Defense Production Act certification requirements now embodied in E.O. 10182. The proposed Order, first, repeats the statutory language specifying what each agency head must certify before employing any WOC under this Act. Second, to effectuate the statute's purpose, the Order specifies an accompanying statement to be made by any agency head employing a WOC under this Act. This accompanying statement, though not required by present procedure, is necessary for the Civil Service Commission to fulfill its survey requirements imposed by Congress.

(4) Filing Requirements. These are completely new. Congress by the 1955 amendments requires any WOC employed under this Act to file in the Federal Register certain financial information. To ensure uniform compliance throughout the Government, this Order aims in some reasonable manner to spell out how these filing requirements should be met.

IV. One principal issue for the Cabinet to decide: Whether the financial filing requirements which the Act specifies, and this Order spells out, should apply, on the one hand, to all WOC's presently employed under the Act--regardless of when appointed, or, on the other, only to WOC's appointed subsequently to August 1, 1955, the effective date of the 1955 amendments.

Legislative history indicates that Congress may well have assumed that the filing requirements would apply to all WOC's. However, the debates reveal no specific statement to that effect. Thus, one permissible construction may be that the requirements apply only to WOC's appointed subsequently to August 1 of this year. Accordingly, since the law does not unequivocally direct us one way or another, this issue is presented to the Cabinet for discussion.

On the one hand, applying filing requirements to all WOC's presently employed, no matter when appointed, may avoid trouble for both Government agencies employing WOC's as well as the individual WOC's themselves.

Any construction of the Act which excludes WOC's presently employed from filing, may be attacked as an effort at circumvention. Such criticism may also reflect on individual WOC's whose failure to file might be construed as an attempt to hide their financial affiliations. This criticism might take on some force since the statutory language re other limitations on WOC's, e.g., that they only advise where policy matters are involved, probably applies to all WOC's--no matter when appointed. Thus, construing filing requirements to apply only to WOC's appointed since August 1, 1955, would mean that this requirement has a coverage narrower than the Act's other limitations.

On the other hand, these financial filing requirements are burdensome. For example, although a WOC is not required to list amounts of stock, he must publish the names of the corporations in which he has any interest. And requiring WOC's presently employed to either comply with the filing requirements or leave their jobs might both deprive the Government of competent personnel and embarrass WOC's who were employed when no filing was required. (It should be noted here, however, that almost three months have elapsed since these requirements became law.)

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CA - 38

November 19, 1955

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Tuesday, November 22, 1955

Laurel Cottage, Camp David, Thurmont, Maryland

1.	Comments on Foreign Policy in the Aftermath of Geneva	(Oral)	The Secretary of State
2.	Report of the Presidential Advisory Committee on Water Resources Policy	CP - 28/2 CI - 34 Two Maps	The Secretary of the Interior The Under Secretary of the Interior
3.	The Administration's Partnership Policy in Action	(Oral) Map	The Secretary of the Interior
4.	The President's Advisory Committee on Energy Supplies and Resources Policy -- Implementation of Recommendations Concerning Oil Imports	(Oral)	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By BWC NLE, Date 3-17-77

MINUTES OF CABINET MEETING

Laurel Cottage, Camp David, Maryland

November 22, 1955
9:15 A.M. --- 11:10 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles,
  and Under Sec. Hoover
Sec. Humphrey
Sec. Wilson
Atty. Gen. Brownell
PMG Summerfield
Sec. McKay
  and Under Sec. Davis
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Hughes
Dr. Flemming
Chairman Young
Amb. Lodge
Dr. Burns

Gen. Bragdon
Gov. Len Jordan
Mr. Kestnbaum

Gov. Adams
Mr. Hagerty, in part
Mr. Rockefeller
Gov. Pyle
Mr. Seaton
Dr. Hauge
Mr. Morgan
Mr. Harlow
Mr. Martin
Col. Goodpaster
Mr. Murray Snyder, in part
Mr. McCann
Mr. Rabb
Mr. Patterson
Mr. Minnich

Prior to the opening of the meeting appropriate photographs of the occasion were taken.

Geneva Foreign Ministers Conference - The President called on Sec. Dulles to summarize the main points of the lengthy report he had given the NSC yesterday. Mr. Dulles stressed that it was apparent the Russians wanted no agreement on anything that might affect the Soviet bloc internally, particularly in regard to East Germany and increased contacts between East and West. He stated that the Russians had been willing to negotiate on disarmament but only on the basis of establishing an inspection system as the last stage of a disarmament effort. He said that it was not necessary now to adjust our security programs upwards to reflect the outcome since we had not adjusted them downwards following the Geneva meeting last summer.

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The Secretary then emphasized the need for reviewing the situation in the Near East where the Soviet has opened a new front in the cold war. He noted his visits to Spain, Italy, and Yugoslavia, all of which had been useful.

The Secretary recalled the preceding NSC discussion in which the President had urged emphasis on US sympathy and support for greater European unity, especially through NATO. Sec. Humphrey inquired about the progress of M. Jean Monnet's efforts, and Sec. Dulles replied that he was now concentrating -- with some signs of progress -- on a European Atomic Energy Agency.

Water Resources Policy (CP-28/2 and CI-34) - Under Sec. Clarence Davis, at the request of Sec. McKay, presented the main features of the report of the Advisory Committee. He emphasized the multitude of problems which vary from area to area in the United States, the absence of any single solution, and the profound impact of any policy on the national economy, particularly as extension of Federal control of water inevitably implies ultimate control of land values, industrial development, regional economy, etc. Among the recommendations of the report, he highlighted (1) the accumulation in usable form of greater information, (2) improved coordination whereby those affected at the "grass roots" would be in the picture from the beginning of planning and whereby greater Congressional and Presidential control could be accomplished, and (3) cost sharing.

The President expressed his great gratification that so important a report had finally been completed. He asked what was meant by regional control and Mr. Davis responded that it was not a matter of basin control, as suggested by the area maps which had been distributed. The President then stressed the inter-relationship of water projects at the upper and lower ends of a river valley even though in different states. Mr. Davis stated that there was no intent to eliminate or frown upon the "valley" concept. He did believe that problems in New England were such that the valley concept was not pertinent.

The President noted Mr. Davis' statement about leaving anti-pollution measures to the states, and pointed out how state interests might be in conflict as in the case of Nebraska and Missouri. He believed that there should be language in the report to stress the large Federal responsibility in such respects but without committing the Federal Government to assume the cost of anti-pollution measures.

The President commented that criticism of the report must be expected and that our main interest should be in shaping the report as much as possible to stress its positive features.

The President noted the recommendation for a Coordinator in the Office of the President. He believed that would require Congressional authorization so as to finance the necessary staff. It was suggested that the

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Coordinator would be able to draw staff from the agencies concerned, but the President believed the Coordinator would need some staff independent of the agencies. Mr. Hughes suggested it might be covered by the Special Projects authorization now in the budget.

Dr. Flemming called attention to the difference between the language in this report and that submitted by the Attorney General for the Hoover Commission report with respect to water rights. The President cited western practices in regard to water rights and cautioned against ignoring those rights. Sec. Benson expressed thorough agreement with the President. After further comment from Mr. Flemming, the President again stated his belief that water rights should not be taken without compensation and his uncertainty about the phrase used in the Hoover Commission report "without waiving constitutional rights". The discussion was brought to a conclusion by the Attorney General expressing agreement with the language in this report although he might have preferred, from the point of view of litigation, the language submitted to the Hoover Commission.

Amb. Lodge inquired and Mr. Davis reported that much progress was being made in converting sea water to other uses but that it could not yet be provided economically for industrial use. Later in the discussion, Amb. Lodge emphasized the dramatic effect that could be had should the President make some proposal to the United Nations on conversion of salt water when achievement of economic conversion processes is imminent. The President noted Adm. Strauss' suggestion for a large prize for inventions pertaining to this and similar research projects.

Director Hughes characterized the report as excellent, noted that many of the recommendations would provide a means for working out solutions that are not yet at hand, indicated that not everyone was thoroughly satisfied with establishment of a Board of Review, and stated that the report would be very helpful to achieving sound budgetary review of projects.

The President queried who would be responsible for drafting measures to implement the report. Director Hughes replied that Budget would coordinate the efforts of the many agencies involved. Gov. Adams subsequently summarized that the Advisory Committee, with the aid of Gov. Jordan and Gen. Bragdon, should have the responsibility for revising the report to reflect the Cabinet discussion and for developing necessary legislation.

The President recalled his awareness since 1931 of the agency conflicts over water projects and restated his delight in completion of this report. Sec. Benson characterized it as the most progressive step forward since the time of Theodore Roosevelt. Amb. Lodge emphasized the tremendous popular appeal the report would have if it is properly presented. The Attorney General agreed and stated his assumption that the first statement of the report would be made by the President. The President again emphasized the need for avoiding any interpretation that the Federal Government was backing away from its responsibilities. Gov. Adams urged that

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the report be cleared with the Legislative Leaders in December prior to final approval and that any public announcement be coordinated with them so as to insure maximum effect. The President believed it best that he make the first mention of it in the State of the Union message and that the report as a whole be released a week or two later.

The Attorney General focussed attention on the detailed recommendations for allocation of costs, warned that it would provide material for opposition attacks on current Administration projects, and suggested that it not be incorporated in the report itself. Gov. Stassen concurred on the basis that it would invite unnecessary controversy and thus harm the report as a whole. Sec. Wilson believed it useful to retain the material so as to strengthen the position of the Board of Review. The President believed such details could best be developed when necessary presentations are made to Congress. Dr. Flemming concurred in the opinions of the Attorney General and Gov. Stassen, and suggested that the material could nevertheless be used by the Board of Review as guide lines. The President felt the material should not even be presented in the report as guide lines. On being asked by the President, Mr. Davis expressed his concurrence in the change, although it might entail some risk of a charge that the report was merely making a "pious statement" in this regard. The President believed the Administration could call at a later time for guide lines to be worked out. Director Hughes believed the Administration would not want to abandon the position now stated in the report, but neither would it be necessary to state that position on issuing the report. The President agreed and subsequently recapitulated at Mr. Wilson's request that the specifics in this regard would be eliminated prior to publication in favor of later development.

Partnership Policy in Action - In reporting on the status of various water power projects, Mr. Davis pointed out that some Republican legislators had joined with others to recommend that the Echo Park Dam be abandoned in order to secure early initiation of the Upper Colorado River project. The President agreed that under these circumstances the Administration need not press for inclusion of Echo Park, but he felt that this project would eventually have to be undertaken as a means of saving water upstream in order to satisfy downstream demands for water.

Mr. Davis reported on the status of the Fryingpan, John Day, Priest Rapids (where ground will be broken probably in March), Rocky Reach, and Snake River (Hells Canyon) projects. He distributed glowing accounts from the Idaho newspapers of the initiation of work on Brownlee and Oxbow Dams. He summarized all these developments as promising a large increase of capacity to meet the energy needs of the Pacific Northwest and as showing conclusively that removal of the threat of Federal monopoly of such projects had cleared the way for private industry to go ahead on accomplishment of needs.

Fuel Oil Imports - Dr. Flemming reported on developments with regard to the earlier Cabinet decision to attempt to solve this problem through

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-6-76

voluntary action by the oil companies. After some conflicting developments, he stated, it now appeared that the companies would police this satisfactorily in order to avoid the evil of import quotas. Mr. Humphrey emphasized the need for the industry policing itself rather than any possible action by the Federal Government in regard to a single company which might get out of line. Mr. Hoover was very encouraged by the progress and indicated that industry handling of the problem would be satisfactory. Mr. Flemming made a point of satisfaction expressed by New England interests and the railroad industry with regard to the handling of the matter.

Cabinet Schedule - Gov. Adams indicated that the next Cabinet meeting would be on December 2nd, for discussion of the State of the Union message.

Presidential Delegations - Gov. Adams recalled the earlier request made to the departments, and asked that each Cabinet member insure that the Attorney General is quickly provided with a list of actions currently required of the President, along with any recommendations the Cabinet member wishes to make in regard to feasibility of delegation.

* * * *

As the meeting began to break up, the President asked all to wait so that he might take this first chance to thank the members of the Cabinet and his staff for the way they carried on in his absence. He said that for a period of five weeks he had not seen a newspaper but he was shown an editorial which expressed surprise that the group worked so well together to meet the situation. He joked that there might even have been a few hints that the group did better without him! He went on to say that his only surprise was the surprise of the writer that the group should harmoniously and successfully pursue a practiced and practicable middle course between too little and too much. The President knew they could do it because they were so dedicated to the same type of policy for the United States in regard to matters both abroad and at home. It seemed to him that the editor was not using great acumen and understanding when he could be surprised that the group carried on in the absence of the presiding officer. The President said it made him proud of his own selections (!) -- and grateful for the way the group proceeded. He thought this Cabinet was unique, for beginning with Washington there was strife in the Cabinet as long as Hamilton and Jefferson were both there. He thought no Cabinet had ever been so thoroughly dedicated to a set of broad principles where all could work together. He concluded that he was glad of the chance to have proved this -- although he did have to regret the circumstances that brought it about.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman ✓
Mr. Rabb
Mr. Minnich

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RA - 38

November 22, 1955

CABINET PAPER—PRIVILEGED

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THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of November 22, 1955:

1. Comments on Foreign Policy in the Aftermath of Geneva

   /Information item only/

2. Report of the Presidential Advisory Committee on Water Resources Policy

ACTION: (a) With the exception of the revisions to be made pursuant to "(b)" below, CP - 28/2 in substance received the concurrence of the Cabinet and the approval of the President as the basis for the preparation of draft legislation, Executive Orders and administrative regulations.

(b) The President's Advisory Committee on Water Resources Policy, assisted by General Bragdon and Governor Jordan, was requested to revise the Report, pursuant to the Cabinet discussion:

(i) with regard to federal responsibility for leadership in solving such problems as pollution - which do not remain within individual State boundaries, and

(ii) with regard to the amount of detail in the formulae on evaluation and cost-sharing.

(c) The Committee, with General Bragdon and Governor Jordan, was also requested:

(i) To take the next steps in implementation of the Report, i.e. the development of the necessary draft legislation, Executive Orders and administrative regulations;

(ii) To give special attention and care to the preparation and coordination of a Presidential statement on water resources policy - which will accompany the Report when released. (The Legislative leaders will be consulted concerning this statement.)

(d) It was agreed that the revised Report is to be made public only after consultation with the Legislative leaders on December 12 and after a first mention of this Report in the State of the Union Message.

CABINET PAPER

For Action

3. The Administration's Partnership Policy in Action

ACTION: With respect to the Upper Colorado proposal, now pending before the Congress, the President indicated that while the Administration position is presently the same as that last year, favorable consideration will be given to certain amendments in the proposal which may be necessary to get the project approved and started.

4. The President's Advisory Committee on Energy Supplies and Resources Policy -- Implementation of Recommendations Concerning Oil Imports

/Information item only/

ADDITIONAL ITEMS:

A. Possible Presidential Delegations

ACTION: Cabinet Members were reminded of the importance of the immediate completion by all Departments of the assignment requested of them in Item 2 (d) of Cabinet Record of Action 31.

Maxwell M. Rabb
Secretary to the Cabinet

November 18, 1955

MEMORANDUM TO THE PRESIDENT

SUBJECT: Agenda for the Cabinet Meeting of November 22

The following items have been scheduled for the first Fall Cabinet Meeting with you on next Tuesday morning at Camp David:

1.	Comments on Foreign Policy in the Aftermath of Geneva	The Secretary of State
2.	Report of the President's Advisory Committee on Water Resources Policy -- (CP - 28/2)	The Secretary of the Interior The Under Secretary of the Interior

On May 26, 1954 you established a Cabinet-level Advisory Committee to "undertake a comprehensive review" of all aspects of water resources policy. After extensive consultation with the Attorney General and with the help of General Bragdon, the Committee's final report (CP - 28/2) was prepared -- reflecting the views of all the interested Cabinet Members. The President's Advisory Committee on Government Organization has been kept informed of the progress of the Committee's work. General Bragdon has prepared a comparison between the Recommendations of the Committee and those of the Hoover Commission; this comparison has been circulated as a Cabinet Information Paper (CI - 24). At Cabinet on Tuesday, after an introduction by Secretary McKay, Under Secretary Davis will highlight the Report, its Recommendations and some of the issues involved. He will seek the Cabinet's concurrence and your approval. When your approval is finally given, several follow-up steps will require consideration: the publication of the Report, the possible issuance of a statement from you about the Report, the preparation of an Executive Order stipulating what can be done Administratively and the preparation of draft legislation for submission to the Congress.

3. The Administration's Partnership Policy in Action — The Secretary of the Interior

Last May 20, the Cabinet heard Secretary McKay give a review of water and power projects in the Northwest. You and the Cabinet clearly expressed a desire to have everything possible done to "get the dirt moving" in order to give the country a tangible expression of our partnership policy. Secretary McKay is now in a position to report where construction has in fact begun on some of these major projects. Since this subject is so closely related to the Water Resources Report, and flows from it, so to speak, we have scheduled the two items in conjunction.

4. The President's Advisory Committee on Energy Supplies and Resources Policy -- Implementation of Recommendations Concerning Oil Imports — The Director, Office of Defense Mobilization

This Committee, which made public its Report last

February 26, recommended that "appropriate action should be taken" if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954. Section 7 of the Trade Agreements Extension Act of 1955 directs ODM to certify to you cases wherein imports were such as to endanger the national security. Dr. Flemming has been in touch with the U.S. oil companies, explaining the significance of Section 7 to them and explaining the formula of proportionate imports which the Advisory Committee recommended. The constant objective has been to get the companies to accept the Committee's recommendations on a voluntary basis -- to make any government action under Section 7 unnecessary. Dr. Flemming wishes to report to you and the Cabinet the progress he has made, so that you will be well briefed and in a position to make the Administration's policy clear to oil industry leaders who may inquire about this subject.

Maxwell M. Rabb
Secretary to the Cabinet

ECHO PARK DROPP FROM RIVER PROJE

WASHINGTON, Nov. 29 —The Secretary of the Interio Douglas McKay, said today th department would drop the con troversial Echo Park Dam fron the proposed Upper Colorado River storage project.

Alternate action will be recommended, he added, in the hope of obtaining Congressional approval of the project next year. Today's announcement was made following a meeting by Mr. McKay with the executive council of the Council of Conservationists.

Organized conservation groups have bitterly opposed the Echo Park Dam on the grounds that it would harm the Dinosaur National Monument.

The Interior Department has insisted that the proposed $176,-40,000 Echo Park Dam in Colorado was a key unit of the proposed billion-dollar-storage project to benefit Colorado, Utah, Wyoming and New Mexico.

The Senate this year passed a bill to authorize the development, including Echo Park. The House Interior Committee has approved an authorization bill with Echo Park eliminated.

Mr. McKay said the department had taken note of the resolution unanimously approved by seven Senators and seven Representatives from the upper basin states at a meeting in Denver Nov. 1. This resolution said that in the hope of getting action the "Senators and Representatives present agree they will not try to reinstate the Echo Park."

Clarence Davis' presentation (Cabinet 11/22/55)

Mr. President:

The importance of water resources to the economy of the United States can hardly be overstated, and if I may be permitted before entering upon the details of the report itself, I should like to convey some notion of the widespread variety of the problems that are involved and of the implications of their solution upon our economy and upon the Government.

When we are dealing with water, we are dealing with one of the fundamental human wants. Along with land and air and food it is one of the necessities of life. Here in the United States, blessed with a continent of virgin soil, we lived more than 200 years before the water problem became generally acute, but we must remember that many ancient civilizations disappeared because of the absence or mismanagement of land and water.

The increase of our population, the raising of our living standards, the coming of our industrial era, and the increased application of water to land have now high-lighted the problem until, in much of the Nation, there is a grave and increasing concern over water resources.

I should like to impress three things in the beginning, first, there is not a water problem, but there are many water problems; second, while these problems are nation-wide, they are not necessarily national; and, lastly, that there is no magic formula which can be applied nation-wide as a solution of these problems.

The water problems confronting us have three aspects, physical, financial and organizational.

Physically, we have the problem of water shortages, irrigation, floods, pollution and navigation. In the Southwest, New Mexico, Utah, Arizona and Texas, we have the problem of inadequate supplies to maintain agriculture and grazing and in many cases to even provide domestic supplies. The great metropolitan region of Southern California, with its recent influx of millions of people, despite large transfers of water from the Lower Colorado, still anticipates the most serious problem for even domestic water supplies.

The entire east slope of the Rockies, including the cities of Denver and Colorado Springs and their environments, are in an area where the natural water supply of the region, except as water may be diverted from the west slope of the mountains, is about to become inadequate for domestic uses and is a serious handicap to agricultural development. In New York but five years ago water supplies had decreased to the point where the whole metropolitan area was imperiled. We were trying to shave on a pint of water a day, and even drinking water was carefully hoarded. Additional reservoirs have been constantly necessary.

We have vast supplies of underground water, the exact extent of which is unknown, but water uses in many areas is pulling down underground water tables faster than nature replenishes them. In some productive areas in California the underground water table is falling as much as 25 feet per year. Irrigation wells are now as much as 600 feet deep, and the water level is still declining. There is a constant but consistent decline in underground levels in many other parts of the country.

Local areas of both Virginia and Maryland on either side of the District during this last year have suffered from shortages of water, and in many other local situations throughout the country the problem of a domestic supply is becomine acute.

At the same time, many areas are suffering from devastating floods. The New England area is so recent that we are all familiar with it, but throughout our history the lower Mississippi has wrought millions of dollars of damage each year. The Missouri and its tributaries have frequently brought great devastation to the Middle-west. Within ten years the Columbia has devastated wide areas, and the whole Southeast region suffers from occasional floods.

At the same time, in our congested areas we are rendering much water useless by reason of industrial and municipal pollution. Our own Potomac is the most obvious example, but there are serious pollution problems along the Ohio below Pittsburgh, in New York, New Jersey, Pennsylvania. The Missouri below Omaha is affecting Kansas City, St. Louis and the lower river. Chicago and the other cities adjacent to the Great Lakes have serious pollution problems, and there are innumerable individual communities throughout the country whose domestic water supplies will require pollution abatement in the foreseeable future.

Meantime, our needs and uses of water climb to astronomical figures. It is estimated that the average urban dweller uses more than 145 gallons of water per day, and if you include the water uses that go into the manufacture of the things that he eats and wears and uses, his individual needs climb to some 1200 gallons per day. New industrial uses, air conditioning and kindred uses, bid fair to double that requirement in the next 20 years.

Industrial uses have grown to even greater proportions, and the concentration of population in the cities has magnified the problem of providing a concentrated supply of water as against a supply that was adequate when population was more widely dispersed. These are some of the physical aspects of the problem.

The financial problems are of equal magnitude. No one has been able to estimate the total financial requirements necessary to meet the various water problems in the years ahead. It will suffice to say that it involves billions of dollars between the various levels of Government. It may perhaps be best illustrated by the estimate of HEW that keeping abreast of only the relatively small problem of pollution will require some $750 million a year of somebody's money.

The problems are further complicated orginazition-wise. In addition to private persons and cities and local public agencies, there are three great Federal agencies, the Corps of Engineers, the Bureau of Reclamation and the Department of Agriculture, actively engaged in various phases of water resource development. Each of these agencies deals with a particular phase of the problem, and between them there has been inadequate cooperation and in many cases intense rivalries and jealousies throughout the years.

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It is less than 20 years ago that any general Federal responsibility in this field of water resources was assumed. There has never been and is not now any general Federal assumption of responsibility for the supplying of water for domestic and industrial water uses. Water supplies for domestic uses have always been an assumption of individual or local responsibility. Industrial supplies have been the responsibility of communities or of industry.

Even in the field of irrigation it is interesting to note that while there are approximately 28 million acres of irrigated land in the United States, less than 7 million acres of that have been irrigated under Federal sponsorship, and that prior to very recent years the hydroelectric potentialities of our rivers have been entirely developed by industry. Despite widespread Federal activity in recent years, this activity still constitutes only a very minor percentage of water resources development.

Much of this Federal participation has been on a hit and miss basis; much of it is represented by what has always been known as pork barrel legislation; a great deal of it has been done under political pressures with small regard to national needs.

The Corps of Engineers, beginning 150 years ago when inland navigation was a more vital form of transportation than it is today, was charged with the responsibility of the development of rivers and harbors for navigation, but today, under the theory of the protection of navigation, has assumed the functions of flood control and so has extended its activities upstream until in many cases it is in direct conflict with the activities of both the Bureau of Reclamation and the Department of Agriculture.

The Bureau of Reclamation, originally designed to make productive the arid public lands of the West, has extended its activities until it is an active public power agency and is supplying supplemental water to thousands of acres of privately owned land that are far from arid.

The Department of Agriculture, on the theory that water should be conserved and stored on the land on which it falls, has envisaged for itself a great program of small dams and local water controls which supplement and in many cases conflict with the Engineers' conception of flood control and the Reclamation Bureau's conceptions of irrigation.

And through the thinking of all three of these agencies is intruded the theory that by the generation and marketing of hydroelectric power, revenue may be produced which justifies the further extensions of their programs.

The effect of the water policy determined by the Federal Government goes to the heart of our national economy and even to our form of government. What we do with reference to creating supplies of water determines the locations of great industries, to many of which a water supply is of more importance than either raw materials or freight rates. It determines the location of population which follow these industries. Our policies with relation to water may be a definite part of either the advancement or the liquidation of substantial areas of our country.

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The control of water means the control of the land and people which depend upon the water. Hydroelectric power controls not only the location of industry, but through the rate schedules it establishes and the selection of its customers controls the economy of the region.

The concentration of the control of water in the Federal Government means ultimately the control of the land, and the power and consequently, the whole economy of the region and of necessity, therefore, places large areas of the United States under the practical domination of Federal departments.

With these basic facts in mind, therefore, may I turn to the report itself, which recommends policies for the development of all of the water resources of the country with the cooperation of our citizens and all levels of Government, vesting so far as possible the control of these resources in the people of the affected region, harmonizing and unifying the activities of the various Federal agencies, and minimizing the concentration of economic controls in the central Government.

To proceed intelligently with any water resource program we must bottom it upon sound physical facts, and many of these are lacking. Our country is relatively young. We do not know the cycle of recurrence of the recent floods in New England. Will they occur every hundred years or perhaps only every thousand? We do not know accurately the stream flows of many of our rivers over long periods of time. We do not know the extent of our underground water supplies. We do not always know the geologic conditions which may make or mar proposed projects.

These things depend upon the collection and evaluation of basic data in the field of meteorology, underground waters, sedimentation, geology, soils and many other matters.

Section 1 of the Report (pages 10 to 22) is devoted to a discussion of our delinquencies in the availability of basic data. There is no friction between the agencies on this score. Each of them seem to be performing their functions well. They include the Department of Agriculture, the Weather Bureau, the Geological Survey, the Bureau of Reclamation and many others. It is the concensus that they only need sufficient funds to greatly accelerate their program in order that we may proceed upon a sound basis of known facts.

At the rate we are proceeding, for instance, it would be more than 50 years before the cadastral surveys would be completed and approximately that period of time before many of these other fundamental facts are known to us. To bring this program within the compass of a ten-year future period, these appropriations should be greatly accelerated. Recognizing, however, that there may be more imperative needs for money, your Committee recommends that in any event the amounts available to the agencies for collection of data be a constant amount year after year whatever it may be so that they may maintain a consistent program rather than the feast and famine with which they have been afflicted in the past.

SECTION 2 (pages 22 to 33) discusses the planning of resource development. Fromwhat has been said, the diversity and complexity of these projects is apparent. Each area must be considered in the light of its own anticipated problems, and planning for its future should represent collective judgment of what is most needed for the river basin, the region and the Nation.

Until recently Federal developments have been planned by a single agency for a single purpose, the control of floods, the reclamation of land or some other single purpose, frequently overlooking other equally important water uses. Most of such planning has been done without machinery which permitted local people to have an effective voice in the planning of resources which vitally affect them. Lately there has been much done toward coordination, although even at present plans are largely prepared by a single agency and submitted to other agencies and States for comment within a short period, perhaps only 60 days, which is apt to be totally inadequate for thorough knowledge and consideration of many complicated major projects.

The Committee feels that what is needed is cooperative and comprehensive planning from the beginning, and it has endeavored to suggest machinery that will make this possible.

The Committee also feels the time has arrived when there should be more control, direction and leadership in this field by the Executive Branch; that the problems are of such magnitude that they are worthy of Presidential consideration. The Committee, therefore, suggests that there be established in the Executive Office of the President an office of Coordinator of Water Resources. Whether this official functions as a part of the office of the suggested Coordinator of Public Works Planning or separately, some such avenue of Presidential direction is deemed desirable.

This would provide a clear avenue of Presidential direction in a vital field and would permit the coordination of long range water resource programs with other long range public works planning. In addition, this official should take the lead in establishing uniform principles, standards and procedures for the Federal agencies, eliminating the diversity of standards that has heretofore prevailed.

Your Committee believes that this official should be the non-voting chairman of an Inter-agency Committee on Water Resources, which committee should be composed of the heads of the Federal agencies primarily involved, namely, Agriculture, Army, Commerce, Interior, HEW and in advisory capacities, the Federal Power Commission and the Department of Justice. This committee should be the channel for advice to the President and Federal representatives on the local water resources committees which are next suggested.

The Committee suggests the establishment from time to time, as resource development becomes necessary, of regional or river basin water resources committees, with a permanent non-voting chairman of such committees appointed by the President, with membership representative of each of the affected Federal agencies and the Department of Labor if construction is to be pursued.

In addition, it is recommended that the States or affected localities have representation on such committees appointed by the Governors; that all the representatives be on an equal basis, the thought being that conflicts should be resolved by cooperation and coordination at the local level and not by mere voting strength of the committees. These regional committees should serve as the mechanism through which all of the agencies would prepare and publish joint plans for water resource developments. Actual construction would, of course, proceed by the agency having the major functions of the project. Your Committee is thoroughly convinced that it is only by providing for adequate representation in the beginning and at all stages of planning that local people, States and local interests can have any effective voice in this water program.

It has been suggested by many, including the Hoover Commission Report, that all Federal water resource developments be consolidated into a single agency. Your Committee has examined that idea at length and is convinced, first, of its political impracticality, since it would be opposed by all of the agencies; and, second, that the mere consolidation in itself does not solve the problem because of the widely varying statutory privileges and obligations of the various Federal agencies which would have to be completely revamped.

The plan the Committee suggests is practical in that it is believed it can be accomplished without too serious opposition, and that it will achieve the purpose of getting unity and harmony into the situation. It is believed it will meet widespread approval from the States and from areas heretofore denied an effective voice in the development of their own resources and will make possible an orderly distribution of responsibility between the various levels of Government.

SECTION 3 (pages 33 and 34) suggests the establishment of a Board of Review for water resources and that all major water resource projects be reviewed by it before being submitted to the Congress. Frankly, the occasion for this recommendation is the fact that there is a widespread lack of confidence in many proposals of the various agencies. There can be no denial of the fact that the ambitions and zeal of the agencies has resulted in the proposal of many projects, the need for and soundness of which is open to question.

This lack of confidence on the part of many of our people is the occasion of much of the opposition to Federal development. Furthermore, there has been notorious jockeying and trading between Federal agencies to enhance their programs. The Pick-Sloan plan in the Missouri Basin is conceded to be a shotgun wedding by which the

Corps of Engineers and the Bureau of Reclamation each achieved their objectives of a large construction program despite the fact that prior to the wedding each of them was highly critical of the program of the other.

Every great organization examining this field, the National Reclamation Association, the American Farm Bureau Federation, the Joint Council of Engineers, and the United States Chamber of Commerce, have recommended the establishment of an independent Board of Review appointed by the President, composed of qualified individuals having no connection with any Federal agency and having had no responsibility for the planning of projects and no interest in their construction. The Committee believes that the establishment of such a Board of Review and the approval by it of these various projects

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will do more to restore confidence in the Federal program than any other one step.

Such a Board might function under the general direction of the Coordinator of Water Resources, who should have, however, no part in its decisions.

SECTION 4 (pages 35 to 42) relates to the relationship between the Federal Government and the States and individuals with reference to the ownership and control of waters.

There is a very acute conflict raging between the Federal Government and the States and individuals in the West over the Federal claim of ownership and the right to control the waters of our streams. The legal controversy is far too complicated to discuss here. Suffice to say that the whole economy of the West, both in agriculture, in mining and in hydroelectric power, has heretofore been bottomed upon the firm belief that water rights acquired under the laws of the respective States constituted a property right just as valuable as land itself.

The Report recommends that the principles which recognize water rights as property rights should be accepted; that determinations as to the disposition of water should recognize these rights; that rights recognized as property rights under the laws of the States should not be taken from people without just compensation. If this principle is maintained, it is believed that the regional and local planning committees provided for will so plan future projects as to avoid many of the bitter conflicts which have arisen and many of which still exist.

The Committee recommends that since the use of underground water is so closely related to land surface titles, and especially since our information regarding it is still fragmentary, the problem of the control of underground waters should be left in the province of the States, with a recommendation that they face up to the facts which I have related of the serious depletion of underground water supplies and take steps for its regulation and control.

The Committee furthermore recommends that every encouragement should be given to the formation of interstate compacts between the States for the equitable distribution of water and related problems, and suggests that in its dealings with such interstate compacts the Federal Government exercise the same spirit of cooperation that is necessary between the contending States.

SECTION 5 (pages 41 and 42). The Committee recommends that there be no Federal legislative attempt to establish a system of priorities to the use of water, since necessary priorities vary so greatly between various States.

SECTION 6 (pages 43 to 51) relates to the evaluation of water resource projects and contains technical discussion of evaluation procedures which are not necessary here to discuss. The purpose is to establish a uniform system by which all water resource projects will be evaluated by all agencies on a uniform and sound basis. It makes recommendation regarding the inclusion of all overhead costs, the utilization of actual rather than theoretical price levels. It recommends the use in Federal evaluation of taxes and interest charges where a Federal project is to be compared with a non-Federal project.

It recommends that the evaluation period of these projects should not be longer than 50 years, primarily because it is not believed that any economic projection for a longer period can have reality. It recommends that the direct benefits of these projects, so far as they can be computed, should at least equal their costs, and while it permits some consideration of secondary benefits, that is, of the over-all benefits to the communities, the national economy, etc., it does not believe that these intangible secondary benefits should be used as a justification for projects, since in many cases similar benefits would ensue if the same money and labor were expended for other things.

It recommends a method of allocation of project costs between the various functions of multi-purpose projects, that is, between flood control, navigation, irrigation, fish and wildlife and other elements, on the basis that each of them be charged with its fair share of the project and that none of the purposes be carried forward unless it can stand upon its own feet.

SECTION 7 (pages 52 to 55) deals with the authorization of projects. No two agencies at present have the same system of authorization. The Corps of Engineers must get specific legislation even to investigate projects and needs legislation at each step of its procedure. The Interior Department, under some circumstances, may authorize its own projects and has wide latitude to make investigations. The Department of Agriculture under its new Watershed Act can self-authorize projects but has to submit them to Congress during a possible disapproval period.

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Your Committee recommends complete uniformity in this field that all projects should require legislative action for investigation, authorization and construction, and believes that only by this method can agency action be brought under control of the President and the Congress.

SECTION 8, the last Section (pages 55 to 64) deals with participation in costs, and it should be said frankly that there will be contention over this Section.

The Report proceeds on the theory that all persons receiving equal benefits from Federal water development should contribute their share of costs on an equal basis. As it is, people receiving benefits from flood control projects contribute nothing, except the right-of-way for necessary works. The irrigation farmer is required to repay the cost of the project without interest up to the limit of his ability, whatever that may be. Under the agricultural acts the repayment of costs is largely discretionary with the Secretary of Agriculture. Municipal water supplies and hydropower repay total costs with interest.

This wide diversity from any impartial view is intolerable. Whether land is made more valuable by small controls on the land or by reason of irrigation, from great storage dams or by reason of protection from floods or by reason of drainage, it is hard to see any reason why all beneficiaries should not contribute equally.

The Committee lays down, therefore, these general principles:

(1) That identifiable beneficiaries should pay an appropriate share of the costs of

these projects -- in most instances considerably more than they pay now;

(2) That the Federal cost of providing vendible products such as municipal water, hydroelectric power, should be disposed of at such prices as will completely reimburse the Federal Government;

(3) That the non-Federal share of costs should be collected, either by direct assessment of beneficiaries where they are readily identifiable, or through States and local governmental agencies that primarily benefit.

The fair division of these costs is, of course, very difficult to determine and will undoubtedly vary with different projects. However, where the project is local in character and confers direct benefits upon individuals and organizations that are readily identifiable, your Committee believes the Federal Government should normally pay no more than half of the construction costs of the projects and none of the replacement, maintenance and operation costs. In cases where national needs or national interests are involved, of course the Federal Government should bear a higher proportion. The Report proposes that on projects creating navigability where none has existed before, serious consideration be given to user charges, but that as to other navigation projects the subject of user charges must be considered in the light of other media of transportation.

The Report recommends that the enhancement and improvement of recreation facilities be treated in accordance with the general cost-sharing proposal; that drainage incidental to flood control projects should participate in the sharing of costs.

The Report recommends that pollution abatement and control remain a primary responsibility of the States, for the reason that most of it is occasioned by municipalities and industries readily identifiable, and that the costs of abatement could and should be charged to those responsible. The Report does recommend increased Federal powers where efforts by the States have been exhausted or the situation affects the national well being.

For the reason that the Report recommends that individuals and communities benefiting from Federal water developments should contribute to their costs, the Committee also recommends that where Federal benefits (flood control, navigation, fish and wildlife) are conferred by non-Federal construction, the Federal Government should pay its appropriate share for the benefits it receives, providing the projects meet reasonable standards.

There are some special problems. The Committee recommends that surplus revenues from the sale of Federal hydropower may be used in aid of irrigation, provided the project to which the excess revenues are applied is a part of the area from which the revenues are derived. That is only using one part of a resource to aid another, but the Committee points definite limitations to this theory, since it can easily lead to the operation of Government facilities for the purpose of making a profit and hence the continuing expansion of Government operations.

The Committee recommends some uniform pattern with reference to the payment of interest on Federal funds advanced for water resource purposes.

It recognizes the interest-free advancements for irrigation development and recommends that in view of the over-all situation and the lack of present uniformity that this practice be continued, showing, however, in the reports the interest subsidy as a Federal cost.

With reference to taxes the Committee recommends only that revenue-producing water resource projects should be considered in the same category as other Government business enterprises, and that when general legislation is enacted requiring all Federal commercial enterprises to pay taxes, water resource projects should be included.

The Committee is well aware that this report will be violently criticized by those who believe in exclusive Federal ownership and development of natural resources, and it will draw substantial

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criticism from those who believe the Government should dispose of its activities in the field of hydroelectric power.

It is believed the Report marks a great step toward uniformity in this field, while at the same time being practical in not suggesting such radical changes that they stand no chance of enactment.

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November 14, 1955

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THE CABINET

Water Resources Policy -
Final Report of the Presidential Advisory Committee

For consideration by the Cabinet, attached is the final Report of the Presidential Advisory Committee on Water Resources Policy. This Committee, composed of Interior as Chairman, Defense and Agriculture, was established by the President on May 26, 1954. The Under Secretary of the Interior has been Acting Chairman.

The ad hoc Committee Members (Commerce, HEW and Budget) have actively participated in the Committee's work. The Committee has co-operated closely with the Council of Economic Advisers and with the President's Advisory Committee on Government Organization.

The Committee submitted an Interim Report to the Cabinet on December 14, 1954 (CP - 7; cf RA - 6, Item 2).

The attached version of this final Report has been coordinated with the Special Assistant to the President for Public Works Planning and also reflects the views of the Attorney General.

The attached document is preceded by:

a) The Letter of Transmittal to the President

b) A Table of Contents

c) A four-page summary, with Major Recommendations.

The Report is divided into eight sections.

The Special Assistants for Cabinet Coordination and other recipients are requested to take special measures to protect the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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WATER RESOURCES POLICY

A REPORT

BY

THE PRESIDENTIAL ADVISORY COMMITTEE

ON

WATER RESOURCES POLICY

November 14, 1955

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UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON 25, D. C.

November 18, 1955

My dear Mr. President:

We have the honor to submit herewith a report entitled, "Water Resources Policy." This report has been prepared by the Presidential Advisory Committee on Water Resources Policy pursuant to your letter of May 26, 1954, to the Chairman.

Many of the issues with which this report deals are highly controversial. They have been debated by the Congress and the public for many years. Establishing a program looking to the best interests of the Nation as a whole, which gives recognition to the legitimate interests of the States and the people directly affected by water development, means that we cannot blindly follow the patterns and traditions of the past.

The programs of the various Federal agencies, which differ widely, have their enthusiastic supporters and their severe critics. Inevitably, therefore, these constructive proposals will not immediately be acceptable to all persons and organizations concerned with water resources. We firmly believe, however, that the recommendations made in this report, which endeavor to bring to a uniform basis the activities of the various Federal departments, avoid the undue intrusion of the Federal Government into this field, and give proper recognition to the responsibilities of all levels of our Government, are fair and equitable and will be in the best interests of the Nation.

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The Committee will be pleased to undertake any further assignments which you may wish to make.

Respectfully submitted,

Ezra Taft Benson
Secretary of Agriculture

C E Wilson
Secretary of Defense

Douglas McKay
Secretary of the Interior, Chairman

The President

The White House

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For Consideration

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SUMMARY AND MAJOR RECOMMENDATIONS

A sound water policy must look toward an adequate supply of water for our people, prevent waste, reduce water pollution to its lowest practicable level, provide means for the best and most effective distribution of water, improve navigation, and take steps to check the destructive forces of water which destroy land, property, and life. There are many different problems in different areas. It is neither practicable nor desirable to have only Federal responsibility. There is no single "national" water problem.

It is recommended:

1. Basic Data

That the present program of basic data collection (such as rainfall, stream flows, and hydrology) be accelerated, and be programmed and carried out on a more consistent and definite basis. (Sec. 1)

2. Planning

That planning for water resources and related developments be conducted on a cooperative basis with representatives of all Federal, State and local agencies involved; and that this joint participation be continuous from the beginning in order that plans and projects developed assure the best and most effective use and control of water to meet both the current and long-range needs of the people of a region, State or locality, and of the Nation as a whole. (Sec. 2)

3. Organization

That an organization plan be adopted substantially as follows: (Sec. 2 and 3)

(a) The position of Coordinator of Water Resources be established to provide Presidential direction to agency coordination and to establish principles, standards and procedures for planning and development of water resources projects.

(b) An independent Board of Review be created to analyze the engineering and economic feasibility of projects and report to the President through the Coordinator.

(c) Regional or river basin water resources committees be formed with a permanent non-voting chairman appointed by the President and with membership composed of representatives of all Federal Departments and States involved.

(d) A permanent Federal Inter-Agency Advisory Committee on Water Resources be established under the Chairmanship of the Coordinator composed of principal policy-making officials of the agencies concerned.

4. Water Rights

(a) That the principles which recognize water rights as property rights be accepted. That determinations as to disposition of water recognize such rights.

(b) That a study be made by the Federal Government in collaboration with State and local entities to determine the relationships between property rights to water and the social and economic development of the Nation and the area, and of the principles and criteria which should be incorporated into Federal, State and local laws regarding rights to the appropriation and use of water that would assure its best and most effective use and at the same time encourage maximum participation by all parties concerned.

(c) That States enact legislation regarding the ownership and right, purpose and place of use of underground water.

(d) That formation of interstate compacts where appropriate be encouraged. (Sec. 4)

5. Priority of Use of Water

That no system of relative priorities for use of water should be applied uniformly to the entire country. (Sec. 5)

6. Evaluation

That evaluations of water projects by all agencies be on a uniform basis, requiring balanced consideration of all benefits and costs which can reasonably be measured in dollars, as well as consideration of other values not readily expressed in monetary terms. (Sec. 6)

7. Authorization

That each major water resources project be separately authorized by the Congress. (Sec. 7)

8. Cost-Sharing

(a) That, as a general policy, all interests participate in the cost of water resources development projects in accordance with the measure of their benefits; that the Federal Government assume the cost of that part of projects where benefits are national and widespread and beneficiaries are not readily identifiable; that power and municipal and industrial water users pay the full cost of development; that where projects are primarily local, and the beneficiaries are clearly identifiable, the Federal Government's contribution should be limited, with non-Federal interests bearing a substantial portion of the construction costs of the project as well as the replacement, maintenance and operation costs; and that under certain conditions the Federal Government may bear a higher proportion of the costs. (Sec. 8)

(b) That the Federal Government encourage non-Federal assumption of responsibility for construction of water resources projects by such means as the payment of costs which would have been non-reimbursable had the projects been federally constructed, and the making or guaranteeing of loans to non-Federal interests for certain purposes under proper safeguards. (Sec. 8)

REPORT TO THE PRESIDENT

BY

THE PRESIDENTIAL ADVISORY COMMITTEE ON WATER RESOURCES POLICY

OUTLINE OF PROBLEM

Water is more than a natural resource -- it is a necessity of life. Here in the United States, blessed with a continent of virgin soil, we lived more than two hundred years before the water problem became generally acute. But the uses we make of water in modern society are so tremendous that they stagger the imagination. The coming of our industrial era, the raising of our living standards, and the increased application of water to land, have now highlighted the problems until in much of the Nation there is a grave and increasing concern over water resources.

Shortages of water for domestic and agricultural use are frequent. Industry is finding it increasingly difficult to locate adequate water supplies. Many streams and rivers are seriously polluted. Concurrently, tremendous losses in water are being experienced through wasteful practices and failure properly to conserve available supplies. Lack of adequate planning threatens to impose a water scarcity which can become a limiting factor on the growth of some of our cities, while at the same time flood damage in many areas continues to be great.

The basic elements of a sound policy relating to water are clear. That policy must look toward an adequate water supply for our people, prevent waste of water, provide for a greater reuse of water, reduce water pollution to the lowest practicable level, provide means for the useful and equitable distribution of available water supply, and take steps to check the destructive forces of water which threaten to injure or destroy land, property and human life.

There have been wide differences of opinion as to the best methods to meet these problems. It is a good omen that these differences are so generally discussed.

All areas of government have evinced wide interest in these problems. Municipalities, States and their public agencies, as well as the Federal Government, should take steps to alleviate their particular hazard or anticipate their needs.

Because these problems are nation-wide, it is appropriate that the Federal Government take cognizance of them and provide leadership for solving them by establishing sound nation-wide policies, as well as provide standards for its own participation in the development of economically sound water projects. It is also appropriate that this be done in cooperation with the States and other locally interested parties.

There have been many previous investigations and reports in this field of water resources development. The Committee has not deemed it necessary or within its province to restate in detail the numerous compilations that have been made in the past by various agencies of the Congress and of the Executive Department. The Committee conceives its responsibility to be primarily that of recommending policies and methods of their implementation.

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A survey of the activities of the various Federal establishments, of the history of their operations and of the legal powers with which they have been invested leads to several general conclusions which should be clearly understood in connection with the determination of national policy:

1. The greatest single weakness in the Federal Government's activities in the field of water resources development is the lack of cooperation and coordination of the Federal agencies with each other and with the States and local interests. This has been occasioned by the fact that the Federal interest in water resources development has been expressed in different laws empowering different agencies to pursue particular programs for different purposes. There has been inadequate coordination of the program of one agency with that of another, and inadequate consultation with and consideration of the interests of the States, local communities, and individuals most vitally affected.

2. There is no single uniform policy, no magic formula relating to water resources which can be applied to all parts of the country at all times and in all places. The problems involve particular needs and uses of water which vary from State to State and region to region. In one place the problem may be flood control; in another navigation; in another inadequate domestic supplies, in another inadequate agricultural supplies; and in still another stream pollution. Frequently water needs and uses are in conflict with each other. The changing pattern of the economy of the regions, and shifts and growth of population, require flexibility in policy, so that the plans may be adjusted to the realities of the economic requirements of an area.

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3. It is not practicable, and certainly not desirable, for the Federal Government alone to assume responsibility for the complete development of the Nation's water resources. This reasoning stems not only from the practical impossibility of assuming the financial burdens which such a policy would require, but also from the fact that such complete Federal assumption of responsibility would tend to create local and regional dependence upon Federal action, to destroy individual and local initiative, to destroy the effectiveness of the government of the States, and to work a profound and undesirable change in our traditional plan of government. Lack of funds and regional rivalries have delayed for years many meritorious projects in the expectation of Federal action which has not been forthcoming. Such a pattern may be expected in the future if complete reliance is placed upon Federal action. In some instances also there have been serious delays in badly needed projects because Federal agencies were reluctant to agree with local efforts to proceed.

4. It is believed that the principle of equal contribution for equal benefits received should be applied to the beneficiaries of all Federal water resources developments, although it is recognized that historically the programs of the Federal agencies have differed widely as to the contribution required from the beneficiaries of such projects.

5. There has not been adequate consideration given to the proper respective relationships and responsibilities between the Federal Government and the States and private individuals with reference to water resources rights. It is believed that the principles which recognize water rights as property rights should be accepted.

Determinations as to disposition of water should recognize such rights. A study should be made by the Federal Government in cooperation with State and local bodies to develop principles concerning water rights that would assure the most effective use of water to best meet the needs of the people, national, regional, State, and local.

6. The Committee endorses the established policy of primary State responsibility for controlling water pollution. However, because of the broad public concern with water pollution, and the growth and seriousness of the problem, the Committee recommends that the Federal Government exert strong leadership in solving pollution problems through research, investigations, and technical assistance. Acceptance by the Federal Government of the responsibility for stronger leadership in solving problems of pollution which do not remain within individual State boundaries is specifically needed, in view of the importance of basin-wide planning, and the interstate character of many polluted waterways. Enforcement action by the Federal Government should be directed toward problems where the effects of pollution are interstate and where regulatory actions by the States or interstate agencies have been exhausted or are ineffective. Federal activities should be designed to strengthen and make more effective all phases of State and interstate pollution control programs as the preferable means of accelerating pollution abatement.

7. The Committee believes that while it is generally sound to plan coordinated development of water resources by large river basin areas, it is possible to place too much emphasis upon this conception as it may apply to future domestic supplies, land use and economic development. There are already examples of the shifts in population and in economic and industrial growth which indicate that in some instances consideration of water resources development should be viewed from the standpoint of a region rather than solely from that of a river basin.

8. The Committee recognizes that the interest of the United States in its boundary waters involves the Nation's international relations, including certain treaty obligations with Mexico and Canada.

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Many of the recommendations set forth in this report could apply to international as well as domestic projects. For obvious reasons, however, international programs and projects cannot always be expected to conform with the same standards and procedures that are proposed for exclusively domestic programs or projects. The Committee, therefore, believes that this report should be considered as generally applicable to exclusively domestic waters only and that it should be applied to any waters with an international interest only to the extent that it is not inconsistent with international factors that must be taken into account in each case.

With these general principles in mind, the Committee has examined the entire scope of development of water resources and submits hereafter separate sections, incorporating its recommendations as to more specific problems.

Scope of the Problems

The physical scope of the water problems in the United States is difficult to comprehend. The average citizen, or at least the urban dweller, takes for granted an ever ready supply of pure water. He draws upon it at will for numerous household purposes with little thought of where it comes from or how many gallons he uses each day. He would no doubt be surprised to learn that for each member of his family more than 145 gallons per day is provided by the public water supply and that his per capita share of total national use, including industrial and agricultural use, amounts to 1,200 gallons per day.

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An estimated total of 200,000 millions of gallons of water are used each day on the farms and in the homes, factories, and business establishments of the Nation. While it is recognized that relatively little water is actually consumed, the water must be available when and where needed. Some of the reasons behind such great demand are seen when it is realized, for example, that 65,000 gallons of water are required for the production of one ton of finished steel, 50,000 gallons of water for one ton of paper and six gallons of water for one gallon of gasoline. The need for water varies from plant to plant, depending upon the efficiency of the re-use cycles.

In spite of the staggering proportions of our present use, the estimates of future needs are even greater. The demand for water increases in proportion to the increase of population and the expansion of industrialization. It is estimated that the Nation's population, which has increased from 75 million in 1900 to more than 165 million today, will reach at least 200 million by 1975; and that industrial production, which has increased 8-fold since 1900, will again almost double by 1975. New uses, such as air-conditioning, will increase water consumption in homes and commercial establishments to an estimated per capita consumption of 175 gallons per day from public water supply. More water will also be used by industry as new processes are developed. And, lastly, supplemental irrigation use in the normally humid eastern portion of the country now amounts to over 2,000,000 acres, a 3-fold increase since 1940.

At the same time, with major population shifts from rural to urban areas, with extraordinary industrial growth (a 700 percent increase since 1900), and with an increase in volume, variety, and complexity of industrial wastes, the problems of water pollution have become increasingly complicated. Today only about 50 percent of the municipal pollution and about 50 percent of the organic load in industrial wastes is removed before discharge into streams. Pollution does not decrease the gross amount of water in streams, but it makes the water unusable for many purposes downstream without expensive treatment.

The following tabulation indicates the relative volumes of water used for each major purpose in 1950 and the estimated needs for 1975.

Use	Estimated use, 1950 Billion gallons per day	Estimated use, 1950 Percent of total	Estimated need, 1975 Billion gallons per day	Estimated need, 1975 Percent of total	Increase Percent 1950-1975
Municipal and rural	17	9	25	7	50
Direct industrial	80	43	215	62	170
Irrigation	88	48	110	31	25
Total	185	100	350	100	90

(These figures denote usage and do not reflect actual consumption.)

The foregoing estimates indicate that the total demand for water in the Nation will almost double by 1975. While there is sufficient water to meet this tremendous need, it is obvious that to do so successfully, there must be a substantial advance toward the ultimate goal of making beneficial use of every drop of water from the Continental Divide to the sea. This is too great a task for any one person or groups of persons or for any one level of government. It will require the continuing efforts of all levels of government and of the many private interests concerned. In fact, it would be no exaggeration to say each American citizen must bear some responsibility for the sound development of the Nation's water supply.

Section 1

COLLECTION AND EVALUATION OF BASIC DATA

Relation of Basic Data to Development of Water Resources

An orderly use and control of water resources requires a background of physical facts, understanding, and accumulated experience. For any problem involving water use and development, it is necessary to know when and how much water is available in a given area and how it is distributed. This involves the study of amounts and distribution of rainfall, the flow of rivers, the occurrence of water in the ground, the nature of the rocks and the soil, and other characteristics of both land and water.

The Nature of a Basic Data Program

Basic data include information on the following classes of subjects: Meteorological factors; surface and underground water, both quantity and quality; sedimentation; geodetic control surveys; topography; geology; soils; cadastral surveys; vegetation; fish and wildlife; social and economic factors; land classification; land management; and land use.

A comprehensive program for basic data involves more than the recording of raw facts. These facts must be evaluated, interpreted, compiled, and reproduced in such form as to make them readily adaptable for use. With progressive technological advancements, basic data programs must be currently adapted to meet changing demands for different types of data and to meet ever-increasing requirements for accuracy and detail, and for speed in processing and analysis.

Interpretive studies on an effective scale should parallel the more routine operations associated with the collection and processing of basic data to assure that the increased needs are met efficiently and economically. Such analysis should be sufficient to obtain reasonably accurate estimates of unmeasured periods or of unmeasured areas.

Purposes and Use

Basic information on amounts and distribution of water and characteristics of the land surface, soil, and rocks enters into every stage of the planning, design, construction, and operation of water development projects. Studies of these data are the basis on which decisions are reached regarding how much water is available and how it can be used and controlled. The efficiency, economy, and safety of development projects are all highly dependent on the adequacy and accuracy of the basic information.

Scope of a Basic Data Program

Basic information consists of three types of elements: The first is an inventory of relatively stable or unchanging physical characteristics of the country; topographic maps are one example of this type. The second concerns factors which vary with time; the flow of a river is of this type. The third is an understanding of physical and economic processes, interrelationships, and mechanisms. Such understanding is necessary to interpret, apply, or utilize the other types of information.

A basic data program must include not only the collection of measurements and interpretive studies of these measurements, but these data and results must be processed, distributed, or filed in such a manner as to be useful. Publication of the basic data of the interpretive studies is, therefore, of paramount importance. Those data which are not published because of their form or excessive bulk must at least be tabulated in useful form and filed in such a manner as to be accessible.

Cooperation with the States

Because the physical distribution of water sources and the movement of water, surface and underground, are in many cases not governed by State boundaries there must be a primary program of fact-collection supported by the Federal Government. The States have an interest, not only in the maintenance of such a primary program, but in additional data and interpretive studies which pertain specifically to the physical and economic conditions in the individual States.

The States and other units of government have contributed materially to the basic data effort. Their aid has been in the form of both financial support and direct participation in data collection programs. Currently, States and municipalities are contributing about 5 million dollars per year for the Federal programs in hydrology and topography.

Continued cooperation with States and municipalities should be encouraged. Such cooperation serves to supplement the basic data programs of the Federal Government in fields in which there is substantial joint interest. State and local participation contributes to the fundamental programs for interpretation, analysis, and research which are primarily national in character and extend beyond the interests of any single geographical area. Federal matching of State financial support for data programs on a 50-50 basis has been mutually satisfactory and should continue to be a sound basis for such cooperation.

It should be clearly understood, however, that such participation augments but is not a substitute for a national program of data collection. The Federal Government should not be dependent upon availability of cooperative funds either to obtain vital data or to administer its cooperative and independent programs.

Deficiencies in the Present Program

The deficiencies in present basic data collection programs are numerous. First, there has been inadequate areal coverage; for example, only about one-third of the area of the United States and Alaska has been covered with adequate topographic maps. Second, there have been unfortunate lapses with respect to time; many long-term records of meteorological and hydrologic records have been interrupted for periods of years. Third, the quality of some records is inadequate for present purposes and technical standards have not been uniform.

The changing needs for information in connection with water resources development often result in situations where important elements are not adequately measured. For instance, the problem of pollution of streams by municipal and industrial wastes is becoming increasingly serious. Measurements of this aspect of water quality have been so sparse and of such short duration that the available information is inadequate to meet existing needs.

A particularly serious lack has been in the evaluation of raw data. Interpretive studies of raw data are essential to practical use. A project involving utilization of ground water cannot be based on the log of wells alone. The well logs must be interpreted in the form of a geologic map, or in some other manner which allows estimates to be made of the distribution and extent of underground water storage. Primary responsibility for basic data interpretation relating to specific projects should rest with the responsible and affected agencies.

Collection of the raw data has not always been followed by sufficient analysis to make the measurements usable. A well conceived program of data collection may produce few usable results if lack of continuity in financial support interrupts the necessary steps between initial collection of measurements and final publication in form for use. For example, a large number of measurements of rainfall and run-off in connection with plot and small watershed experiments have never been tabulated because of lack of continuity of funds and are, therefore, not usable.

Research and development are required to keep the quality and standards abreast of changing requirements. The cost of collection, evaluation, and analysis of data has been reduced by concurrent research and development of new techniques. Continued research and development are integral parts of a basic data program.

Policies and Principles

a. It should be the policy of the Federal Government to provide adequate funds to increase the scope of the data collection effort and maintain it on a sustained level from year to year to conform with the needs of water development programs.

b. Direct Federal appropriations should be made to the data collecting agencies to maintain the core of the collection program and adequate associated interpretive studies in advance of need. Money to be used for data collection and analyses for specific project purposes should be included in appropriations for the projects concerned. Funds appropriated to construction agencies for specific projects should, where appropriate, be transferred to data collecting agencies to assure coordination and to accelerate the primary or core data program.

c. Continued cost-sharing and cooperative participation by State and local interests in the collection of basic data should be encouraged. State and local interests should supplement Federal activities that are of local as well as national interest. Consistent national standards for all Federal and cooperative activities should be maintained. Authorization for cooperative participation should be provided if necessary authorization is lacking. When its Federal purpose has been served, data collection activity may be shifted from a cooperative to a State or local program.

d. There should be a periodic review of the status and accomplishments of the basic data program with respect to need, adequacy and uniformity of standards. Based on this review of status and accomplishments, annual recommendations should be prepared by data collecting agencies, in consultation with the action agencies so as to keep the recommendations for data in balance with, and in advance of, the needs.

e. The principal difficulty facing agencies engaged in the collection and evaluation of basic data has been the inadequacy and lack of continuity of funds. The uncertainty of financial support from year to year for specific data collection programs makes long-range planning difficult and ineffective. Lack of continuity in funds further prohibits the timely initiation of programs to collect new kinds of information as the needs for such arise, or the maintenance of sound programs of research and development. Inadequacy and lack of continuity of funds have caused interruption in data collection and consequent lack of requisite quality. It should be emphasized that irregularity from time to time in the amounts appropriated for these purposes makes it impossible to provide the continuing organization and personnel for record collection and correlation necessary to provide the long-range uniform basic data required if major water development projects are to be properly planned and evaluated before construction.

f. The recommendations which follow call for increased Federal expenditures and may, therefore, need to be tempered by other and more pressing demands upon the Federal Treasury, such as national defense. In that event the Committee feels that it would be wise to so adjust the amounts appropriated that they can be carried forward consistently and on a uniform scale from year to year, so that the organization required and the programs adopted by it will be consistent, uniform and constant. It is recommended that annual appropriations be based on a five-year program with annual increments provided each year, as the most certain way of achieving the desired objective, but that in any event attention be focused upon continuing the program on a uniform and consistent, rather than upon a feast and famine, basis.

Specific Recommendations

It is recommended that:

1. Federal funds be appropriated to carry out an expanded program of data collection and evaluation, with the cooperation of States and local units where appropriate.

2. Detailed programs conforming with principles and policies outlined herein should be prepared annually by the data collecting and action agencies. These annual program recommendations should be submitted through normal budgeting and appropriation channels where the recommendations can be weighed and balanced with other requirements for Federal funds.

3. For each main field of activity, the outline of an expanded program to meet the current and estimated future needs is set forth briefly in the following recommendations. It is recognized that these recommendations are to be revised as new requirements and changing needs become known or as new techniques provide opportunities to improve the data program.

a. Meteorological Observations - The present national network consists of about 5,000 temperature stations; 11,500 precipitation stations, including 3,000 recording gages and 300 storage gages; and 350 evaporation stations. Density of measurements should be increased in regions such as mountain areas where necessary to define local variations in climate. About 5,000 additional stations, mostly precipitation, are needed and they should be established during the next five years.

b. Surface Water - The current network of 6,500 stream flow measuring points should be increased immediately to 7,500 sites. Over a period of 10 years the network should be gradually increased by 50 percent. Particular emphasis should be placed on obtaining stream-flow records of restricted duration on watersheds of moderate and small size. These short-term stations should be integrated with a series of semi-permanent base or index stations.

c. Water Quality - Except for scattered and limited determinations made at major water and sewerage facilities, there is essentially no coordinated program for measuring the biological quality of the Nation's water. There are only some 220 locations where daily chemical water quality samples are taken. Compared to other basic data programs, the current program for measurement and study of chemical and biological water quality is particularly deficient, and present expenditures should be tripled over a period of five years.

d. Ground Water - Knowledge of the occurrence and distribution of ground water resources has not kept pace with the increasing importance of water from this source.

The program designed to develop principles of ground water distribution and to map, appraise, and interpret the ground water resources should be doubled over a period of five years.

e. Sedimentation - During the next ten years, 1,300 stations for the daily sampling of sediment loads in streams should be established in addition to the 300 now in existence. The program of surveys and resurveys of sediment deposited in reservoirs should be increased to encompass more than the present 147 reservoirs. Emphasis should be placed on obtaining sufficient data with which to appraise the source areas, mode of transport, and pattern of deposition of sediment eroded from the land.

f. Soils - The nation-wide soil classification and mapping program, including publication, should be completed, according to priority of critical need during the next 15 years. This will require an over-all acceleration, including State participation, to about twice the current rate.

g. Topography - The program of standard topographic maps which will serve water resources and many other critical needs should be completed within the next 15 years. This will require that the current program be accelerated to twice its present rate. Mapping should proceed on a priority basis, with provision for a program of map revisions to maintain maximum usefulness.

h. Geology - It is recommended that the United States, its territories, and island possessions be covered, within the next 30 years, by standard general-purpose geological maps, at appropriate scales, which show surficial as well as bedrock geology.

i. Cadastral Surveys - The existing cadastral survey program of the public domain should be completed in the next 10 years. This includes both original surveys and the resurveys of lands not properly or permanently monumented.

j. Geodetic Control Surveys - Geodetic control surveys must be at least one year ahead of topographic, soil, and geologic mapping and cadastral survey programs. This requires that the current program be accelerated to two and one-half times its present rate. Provision should be made for resurveys in areas where land movement is taking place.

k. Vegetation - Forest and range surveys should be completed in 15 years with periodic rechecks every 10 years thereafter.

l. Fish and Wildlife - The essential data for determining the role of fish and wildlife in comprehensive river basin development often can be obtained only through systematic studies extending over a number of years. This will require substantial increases in the scope and intensities of biological investigations as well as cooperation with universities in determining life cycles and methods of providing and improving habitat. Data on the effectiveness of man-made devices such as fish ladders and hatcheries, designed to compensate for disruption of natural balances, are particularly essential.

m. Watershed Management Effects - Investigations should be expanded to determine effects of watershed management on hydrology, including runoff and sediment. Special attention should be given immediately to research which will bridge the gap between effects on experimental plots and small watersheds, and effects in larger river basins.

n. Economic Data - There is a particular need for strengthening the program of collecting impartial information on economic factors in the field of water. Uniform standards and adequate coverage are essential. The total amount of funds currently devoted to the collection and interpretation of basic economic data should be tripled over a period of 10 years.

4. There should be a marked increase in the interpretive and evaluative studies of the basic data. With respect to Federal funds allocated to basic data agencies, not less than 5 percent of the funds allocated to each field of data, such as meteorology or streamgaging, should be used for evaluative studies, including research and development, in order that this aspect of the data collection effort may be brought into balance with the need.

The basic data program acceleration recommended by the Committee would require within the next five years, doubling of the present annual rate of Federal appropriations, that is, from approximately $40,000,000 to $80,000,000. This increase would represent only 2 percent of the amount of annual Federal expenditures alone on natural resources.

Section 2

PLANNING FOR USE AND DEVELOPMENT OF WATER RESOURCES

It should be made clear that there is no "national" water problem. Instead there are nation-wide problems relating to the use and development of water resources which vary widely between different sections of the country and frequently between local areas. The problems include provision for adequate supply and distribution, establishment of priorities of use in event of scarcity, protection from flood damage, improvement of navigation, preservation of scenic and recreational values, preservation of fish and wildlife, and abatement of water pollution. A uniform national blue print for water resource development is neither practicable nor desirable. Each area must be considered in the light of its own present and anticipated problems. These can be solved only by planning for the future as intelligently as possible. This planning should represent collective judgment based upon all available information of what is most needed for the river basin, the State, the region and the Nation. Such plans as may be adopted should receive careful and continuous reappraisal.

It is in the various planning stages that the extent of Federal, State, and local interests is explored; that rules of evaluation are applied; that cost-sharing and reimbursement patterns are set up; that construction plans are made; and that operation of the project is outlined.

Planning for the development of water resources has undergone a marked evolution during the last fity years. At the turn of

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the century the use of water resources was planned largely on a single-purpose, single-project, single-agency basis. Too frequently other equally important uses of water were overlooked. This was because no agency was authorized to plan for comprehensive development. Each carried out its specific function as prescribed by law. The objective of planning should be the best utilization of all water resources from the time precipitation falls upon the land until the water again finds its way into the sea. The local people, through established agencies, should have an effective voice, along with the Federal agencies in this planning, which would recognize and properly weigh all the varied and sometimes contrary programs affected by the proposed development of water resources.

Although some progress has been made toward coordination of effort, much remains to be done. The inadequacy of coordination in the field of water development stems largely from the fact that there are several Federal agencies engaged in various phases of water control and development programs, each operating under separate pieces of legislation and with differing objectives. Plans of the several agencies vary widely in detail and in purpose. Most of the planning done to date has been in the fields of flood control, navigation, irrigation, soil conservation, watershed control, and hydroelectric power. There has not been sufficient planning, however, with respect to such functions as drainage, preservation and propagation of fish and wildlife, recreation, preservation of historic and scenic areas, abatement of pollution, and municipal and industrial water supplies.

Participation in Water Resources Planning

The growing need for more coordinated development and operation of the Nation's water resources is apparent. Plans prepared by one agency, even though submitted for comment to other interested agencies and to the States and local interests, are frequently lacking in the over-all viewpoint which should be controlling. Superficially the opportunity afforded to other agencies, States, and local interests for comment would appear to give them a voice in the determination of the ultimate plan. However, it is believed that as a practical matter, because of the relatively short time permitted for comment (usually 60 days) and the multitude of complex reports submitted, too frequently the original agency's plans, motivated by a limited or single objective, are approved without adequate consideration of other factors necessary to full utilization of water resources.

It has been frequently suggested that all Federal agencies engaged in natural resource development, including water, be consolidated into a single Federal agency. Aside from the fact that it is questionable if such a proposal, as a practical matter, would be adopted by the Congress without long delay, it should be pointed out that such consolidation in and of itself would not effectively solve many of the more important problems. It is first necessary that conflicting policies now existing under various laws that have heretofore been passed be resolved. Even if a single Federal agency should be made responsible for all Federal water resources development today, that agency could not effectively operate until conflicts in laws had been removed and consistent Federal policies developed.

To achieve the maximum beneficial utilization of water resources, planning for their use must be a cooperative effort participated in by all of the Federal agencies involved, the States, local governments, and private citizens included within the area under consideration. This principle is sound, but its accomplishment presents many problems.

Some States have excellent water resource departments or agencies provided with adequate finances which would permit them to participate freely with Federal agencies in the planning of water resource developments. Other States have very meager departments and personnel, and some few States have none. In many cases these facts prevent desirable participation.

It is recommended that both the Executive and Legislative branches of the various State governments give serious consideration to providing administrative and financial machinery by which at least a moderate staff can be employed on a continuing basis to participate at all stages of water resources planning. Only by general participation from the beginning of planning can the charge of Federal domination and the faults thereof be eliminated. The States and local interests that are directly affected by water resource developments have a great interest. The national interest is often indirect.

Furthermore, the Committee believes that those persons and areas receiving direct benefits from water development projects should contribute toward their cost. For that reason local interests should assist in the planning in order that they may understand from the beginning the projects to which they may be required to contribute. Each agency of the Federal Government or State government should be directed to invite participation by all affected agencies, Federal, State and local, in planning of all water resources projects, and the plans evolved should represent joint effort.

Federal Agency Coordination

For effective water resources planning, the closest coordination among Federal agencies is required. The agencies involved and their designated functions include the following:

Department of Agriculture: The watershed protection and flood prevention activities of the Soil Conservation Service; the water facilities program of the Farmers Home Administration; the administration of the national forests by the Forest Service; soil and water research by the Agricultural Research Service; the conservation activities of the Agricultural Conservation Program Service; and the general interest of the Department in the Nation's agricultural production.

Department of the Army: The Corps of Engineers on flood control, river and harbor development in connection with navigation, generation of power, and water supplies.

Department of Commerce: The Weather Bureau with its basic data and river and flood forecast and warning services; the Coast and Geodetic Survey; the Bureau of Public Roads, which is affected through the necessity of highway relocation and of providing navigational clearances in highway bridges; and the responsibility for the development of over-all transportation policy.

Department of Health, Education and Welfare: Municipal and industrial water supply planning and water pollution control in the Public Health Service.

Department of the Interior: The basic data programs of the Geological Survey; the soil and moisture conservation programs of the Bureau of Land Management and the Bureau of Indian Affairs; the irrigation, power and water supply projects of the Bureau of Reclamation; the fisheries and migratory waterfowl conservation responsibilities of the Fish and Wildlife Service; the recreation interests of the National Park Service; the mineral investigations of the Bureau of Mines; and the hydroelectric power marketing activities of the Bonneville, Southwestern, and Southeastern Power Administrations.

Federal Power Commission: The granting of permits on all non-Federal hydroelectric power developments on navigable streams, and the approval of rates for sale of power from certain Federal projects.

Department of Labor: At time of scheduling construction with reference to availability and other matters relating to labor.

Department of State: Concerned with boundary waters of the United States, involving the International Joint Commission, United States-Canada, and the International Boundary and Water Commission, United States and Mexico.

Each of these agencies should take its appropriate place in the comprehensive development of water resources in a given basin. Each should have reasonably defined spheres of operation although this is not always the case. A plan which requires all of the agencies having an interest to have a responsible voice from the very beginning in the planning of water resources projects should, in the nature of things, define in advance the scope and extent of the activities of each, take into account their interests, and in large part prevent the inter-agency rivalries which have too frequently been evident in the past.

There has been a general acceptance of the river basin or major drainage area as ordinarily the most appropriate geographic unit for use in planning water resources activities. The interrelationships of rivers and streams within a watershed make it seem logical to utilize the basin as the primary unit for the general physical plan. However, this concept should in no way prejudice consideration of important inter-basin relationships where sometimes, by reason of physical or economic conditions, the maximum utilization of water resources may require, in the years to come, diversions from one basin to another.

To achieve the ideal objective, plans should be developed and kept up to date cooperatively by Federal, State and local interests, public and private. Consideration of the merits of these plans should be divorced from any conception as to "who builds what." They should not in themselves include any concept of authorization or responsibility to build. Their purpose should be to guide regulatory, legislative, and executive bodies in the making of wise decisions.

Within the broad scope of basin or regional plans individual units should, so far as feasible, be set up as component segments or projects, with due regard to the over-all plan, so that wherever possible individual projects may be undertaken from time to time. To so separate general plans into their component projects offers much wider opportunity for participation of non-Federal agencies, and thus not only reduces Federal responsibility but leaves the door open for local initiative.

Organization

To effectuate the foregoing principles and to facilitate proper participation by all of the numerous agencies and groups, some with conflicting interests, in water resources development, it is recommended that an organization plan be adopted substantially as follows:

1. Water Resources Committees

At the regional or river basin level Water Resources Committees [1] should be established from time to time for such purposes and duration as required. The President should appoint a permanent non-voting Chairman of each Committee, giving due consideration to individuals proposed by the Governors of the participating States. The membership of the Committees should include one representative of each Federal Department having water resource responsibilities, each appointed by the head of his Department, and one qualified representative of each affected State, appointed by the Governor, all on an equal basis. Advisory participation by the Federal Power Commission and the Department of Justice from time to time on specific problems may be appropriate. The total number of either Federal or State representatives is regarded as immaterial, since the conflicts should be resolved by cooperation and not by voting strength. In designating members to serve on the Water Resources Committees, Federal Departments and States should recognize that the planning task is intricate and time consuming and cannot be carried out effectively by a staff which is constantly changing in membership.

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[1] For purposes of this report, the functions of these proposed Committees are limited to water resources. Consideration might be given to broadening their scope to include all natural resources.

The Water Resources Committees should be the principal and continuing medium through which the various Departments, State and Federal, coordinate resources planning and development activities. The Committees should serve as the mechanism through which the several agencies would prepare and publish joint plans for water resources development. Action on specific projects of joint plans, however, would be taken by the appropriate agency or agencies. The Committee may foster studies of water resource problems not otherwise sponsored by any agency.

Each Water Resources Committee should prepare and keep up to date a comprehensive plan which will best serve the region and the Nation in the development of water and related land resources. Under the general plan, the Water Resources Committee should recommend an annual work schedule to be reflected in the budget requests of each cooperating agency. The work schedule should include estimated funds needed for (1) collection and analysis of basic data; (2) investigation and project planning; (3) program of construction; and (4) maintenance and operations. The Committee should also prepare an annual report on progress in the area.

The Chairmen of the Water Resources Committees should be responsible to the Coordinator of Water Resources (see No. 3 below) and should at all times be guided by the policies and procedures of the President. Each chairman will require a small independent staff and funds for independent use.

In the event of unresolved disagreements the matters should be referred to the Coordinator of Water Resources.

2. Inter-Agency Committee on Water Resources

There should be established a permanent Inter-Agency Committee on Water Resources, advisory in character, and composed of the head (or other designated principal policy-making official of not less than assistant secretary rank) of each of the Federal agencies involved, namely, the Departments of Agriculture, Army, Commerce, Health Education and Welfare, and Interior, and the Federal Power Commission. The Coordinator of Water Resources should be the permanent chairman of this Committee. The Inter-Agency Committee should be the medium for coordination of the interrelated functions of the several agencies. It should also be the channel for advice between the President and Federal representatives on the Water Resources Committees. This Committee should be advisory to the President and should have authority by unanimous action to determine finally inter-agency relationships.

3. Coordinator of Water Resources

There should be established in the Executive Office of the President an office of Coordinator of Water Resources. Whether this official functions as a part of the Office of the ~~previously~~

~~proposed~~ Coordinator of Public Works Planning, or separately, the Committee believes that, because of the current and increasing importance of water resources problems, some such avenue of Presidential direction is desirable. This official would act as permanent chairman of the Inter-Agency Committee above described, cooperate with the Bureau of the Budget and the Council of Economic Advisers in the evaluation of departmental requests for appropriations, and assist in the reconciliation of water resources policy with other Federal policies. He would also work with the Coordinator of Public Works Planning, if that be a separate office, toward a successful long-range program of water resources developments as a part of long-range public works planning.

In addition to the functions suggested above, this official should take the lead in establishing principles, standards, and procedures to be used by the Federal agencies in the planning and development of water resources programs and projects. He should also prepare for the President an annual report on the development of the Nation's water and related land resources. He should not assume the budgetary or fiscal policy review functions of the Bureau of the Budget.

Section 3

BOARD OF REVIEW FOR WATER RESOURCES

The Committee believes that the President, before making final decisions on water resources projects, should have the benefit of advice from a Board of Review for Water Resources Projects. The establishment of such a board, which could provide completely objective expert advice on the engineering and economic feasibility of proposed projects, has been recommended by practically all organizations which have studied the water resources problem. It is believed that the establishment of such a board would draw widespread support from all sections of the Nation and that its finding regarding a project would carry great weight with the Congress and the Public. The Committee recommends that a Board of Review be created.

The Board of Review should consist of well-qualified individuals who are totally separated from any of the Federal agencies, who have had no responsibility in the original planning of water resources projects which they would be asked to review, and who would not be involved in the subsequent development of such projects. The membership should include leading engineers, economists, lawyers and other experts in the resources field. The members should be appointed by the President and serve at his pleasure, with no fixed term of office. The Board should report to the President through the Coordinator of Water Resources. The Coordinator, however, should not serve as a member of the Board. The Board should have a full-time staff which could report for administrative purposes either to the Chairman of the Board, or, if more convenient, to the Coordinator of Water Resources.

The Board of Review would have the following functions:

1. To evaluate, in the light of policy established by the Congress and criteria established by the Coordinator of Water Resources, any or all water resources projects submitted by Federal agencies for Executive approval prior to submission to the Congress for authorization and appropriation. After the planning procedure previously recommended in this report has been in effect for several years, it may not be necessary to refer all projects, particularly minor ones, to the Board of Review. For the first few years, however, so long as there are projects which have not been through the proposed planning procedure, the Committee believes that all projects should be considered by the Board of Review.

2. To bring to the attention of the Coordinator of Water Resources any modifications in projects needed to fulfill the public interest.

3. To suggest to the Coordinator of Water Resources any changes in, or additions to, criteria for water resources projects which it believes to be desirable.

4. To consider and advise upon any other matters referred to the Board by the Coordinator of Water Resources.

Section 4

FEDERAL, STATE AND LOCAL RELATIONSHIPS WITH REFERENCE TO THE USE AND CONTROL OF WATER

The consideration of national policies with reference to water resources suggests the desirability of a survey of the proper respective relationships and responsibilities of the Federal Government, the States and individuals for determining the uses of water. It is out of the conflicting views as to the rights of these groups that many serious controversies in water resources development have arisen.

There is lack of uniformity of approach by the various States to this problem, a condition which is wholesome so far as it reflects adaptation to local economic, social and fiscal conditions. The responsibilities of the Federal Government and of the respective States and individuals in making such determinations are worthy of brief comment.

The Rights of Individuals

In the early American History as there developed the inevitable conflict between community interests and individual rights, such conflicts were in the most part settled by the application of the doctrine of riparian rights.

This is the principle that the owner of land contiguous to a stream has a right to a reasonable use of the waters of the stream and the right to have the stream flow past his land reasonably unimpaired by upper land owners. This doctrine is still recognized in most of the thirty-one eastern States and in modified form in some of the western

States, although frequently altered in the latter to meet local requirements.

The riparian rights of land owners adjacent to streams have long been considered as a valuable right attached to the land and a right historically taken into account in determining property values.

As expansion continued westward, new conditions were encountered to which the doctrine of riparian rights was not suitable. The arid and semi-arid climates of the more western States made it necessary to store water supplies to meet domestic, agricultural and industrial needs during the dry seasons. Western mining was also largely dependent on a continuity of water supply. A rule was evolved to meet local custom and common interest that the one who first applied water for beneficial uses, whether for domestic, agricultural, mining or manufacturing purposes, was entitled to protection of the right of continued use, whether or not he was a landowner adjacent to the stream.

This custom early ripened into the principle of prior appropriation of rights to use of water by which existing beneficial uses were recognized as constituting a prior right to the water of a stream; that first in time of beneficial use was first in right; and that through its beneficial and productive use valid property rights could be acquired.

The agricultural, mining, and hydroelectric power economy of the seventeen western States is largely built upon the recognition of the right to use water as a property right. Large areas of land in our western States are admittedly of little value if deprived of water. The right acquired by the appropriation of water has been recognized from the beginning of development of the West as a property right, just as valued and oftentimes more so, and just as much protected by the law as the title to the land itself.

Principles for Meeting Water Needs Effectively

In view of these facts local interests should have a voice in determining the uses and application of the water resources of their regions and localities. The Federal Government, in the planning of projects, should cooperate with local representatives in accordance with the procedure herein set forth. The principles which recognize water rights as property rights should be accepted. Determinations as to disposition of water should recognize such rights.

Continuous collaborative planning will result in the most effective water use and control and at the same time eliminate and avoid arbitrary and unilateral decisions.

The Federal Government should encourage the resolution of differences which may arise between States on water use and control through the negotiation of interstate compacts which recognize both the State and Federal interests.

The Committee recommends that a study be made under the leadership of the Federal Government in collaboration with State and local entities to determine (a) the relationships between the establishment of property rights to water and the economic and social development of the nation and its regions and of the States and their communities, and (b) the principles and criteria to be incorporated into Federal, State and local laws upon which rights to the appropriation and use of water could be established that would assure the best and most effective use and control of water to meet the current and the long-range needs of the people of a region, State or locality, and of the Nation as a whole, and that would encourage maximum participation by all parties of interest.

Underground Waters

The ownership and use of underground water are so closely related to surface land titles that any regulations relating to underground water should remain strictly a matter of State concern. Not many of the States, however, have adopted any policy for regulating the use of such waters.

In many parts of the country there are current and foreseeable underground water problems which deserve more attention than they are receiving. In some areas there appear to be vast reservoirs of underground water, adequate for all foreseeable uses of the overlying land and possibly providing surpluses. In other areas limited underground waters are available, but excessive drawdowns are not quickly compensated. In some of these areas underground water tables have been lowered to the point where the dependent irrigation or other use is imperiled.

The problem is of increasing importance. The Committee suggests that the States give serious consideration to the enactment of appropriate legislation regarding the ownership, right to use, purposes of use, and place of use of such underground water. This would encourage optimum utilization of available supplies and insure that undue reliance upon such water sources does not result in excessive investments based on an economy which can only be temporary.

Interstate Compacts

Most of our major rivers have an interstate character. They either cross or are the boundaries of several States, each of which may have an interest in the stream from the standpoint of water supply, navigation, pollution or otherwise.

Your Committee believes that every encouragement should be given to the formation of interstate compacts by which the respective States undertake to adjust between themselves the fair and equitable distribution of water and the other problems relating thereto.

It is recognized that the interstate compact method is slow and difficult, but if it can be made effective, it represents the collective understandings and agreements of the people of the affected States, and it is believed that agreements and compromises so arrived at will receive more widespread public support than will the imposition of Federal legislation.

Such compacts must take into account the interests of each of the States involved as well as be compatible with the national interests and the Federal Constitutional powers.

Summary

The use and control of water should be planned to best meet the needs of the people, national, regional, State and local. Planning for water use should be participated in by Federal, regional, State and local representatives, as recommended in Section 2. It should be continuous. Facilities should be designed and operated in accordance with such planning and to meet both current and long-term needs, with flexibility to meet growth and changing needs. Because of the close relationship of underground water to surface land titles and because of lowering water tables, States should enact appropriate legislation regarding the ownership and right, purpose and place of use of such water. Formation of interstate compacts where appropriate should be encouraged.

Further study should be made to evolve the best means to insure and to accomplish these aims.

Section 5

PRIORITY OF USE OF WATER

The Committee is convinced that no statement of relative priorities for the use of water can be made which is applicable to the entire country.

As pointed out, most of the seventeen Western States, under the doctrine of appropriation, have adopted certain priorities of uses, usually in the order of (1) domestic uses, (2) stock watering, (3) irrigation, (4) manufacturing or hydroelectric power. Such a pattern is obviously not applicable in many of the Eastern States, where the major problems are of (1) domestic use, (2) industrial use, (3) water pollution, and (4) navigation.

Many of the Eastern States have already asserted State control over the appropriation and use of both surface and underground waters, at least to the extent of requiring persons desiring to divert flowing water to secure permission to do so from some agency of the State. This trend evidences a purpose to free water from the strict riparian doctrine, without doing violence to the existing enjoyment of riparian rights, all to the end that water may serve a broader use.

This trend is evidenced by such phrasing in the statutes as "productive use", "economic use", and "optimum use." There is also in the Eastern States a developing trend companionate with State control of water that permits sales of water as a vendible product, both by public and private agencies, but prohibiting such sales on a permanent basis and limiting them to a term basis.

The present concept of Federal water developments is the multi-purpose concept to use most advantageously available water resources for the over-all public benefit. This is evidenced in Section 9(e) of the Reclamation Project Act of 1939, which authorizes sale of unappropriated water under term contracts and for miscellaneous and municipal purposes for a term not to exceed forty years. Also, under Section 6 of the Flood Control Act of 1944, the Secretary of the Army (Secretary of War) is authorized to make contracts for domestic and industrial uses of surplus water that may be available at any reservoir under the control of the Secretary of the Army, provided that no contracts shall adversely affect then existing lawful uses of such water. In addition, Congress has established priorities of water use in certain areas, such as specified by the Boulder Canyon Project Act, and by approval of certain boundary water treaties with Canada. Congress has also subordinated the navigational use of waters, in connection with Federal structures, to beneficial consumptive use in the Western States by the 1944 and 1945 Flood Control and River and Harbor Acts, and subsequent acts.

The changing needs for and uses of water have already indicated that some flexibility may be desirable if water is to be used for the most essential purposes. Legally established water rights so vital to domestic, municipal, agricultural, and industrial uses should not be disturbed or altered, however, without just compensation.

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Section 6

EVALUATION OF WATER RESOURCES PROJECTS

To permit more intelligent evaluation of the numerous water resources projects proposed throughout the United States, it is necessary to further improve and maintain rules and standards by which the various projects can be judged and compared. The formulation of acceptable standards which give proper weight to the numerous factors concerned is a complex problem.

An evaluation requires balanced consideration of two main components: (1) an economic appraisal of those benefits and costs which are reasonably measurable in dollar terms, and (2) adequate consideration of values not readily expressed in monetary terms. Because of the nature and objectives of water resources development programs, both aspects of the evaluation must necessarily reflect an important measure of judgment.

The public interest in water resources development extends over a wide range and encompasses such things as provision of economic opportunities for a growing population, strengthening the resource base upon which the economy of the Nation rests, preservation and protection of scenic areas and of fish and wildlife, protection of life and health, and many others. Many of these are only partially susceptible to monetary measurement and there is wide divergence of opinion as to their relative importance. The development of uniform standards for the treatment of these intangible values has been difficult and controversial.

Many water resources developments have been largely responsible for the settlement of large areas where today there are substantial cities, which in turn represent large and diversified business investments, all contributing materially to the national economy. Likewise, great indirect, or secondary benefits have stemmed, under some circumstances, from the removal of the threat of floods, from the development of navigation, and from the intensified productivity of land.

In connection with many major projects there are equally important tangible and intangible detriments or damages associated with project development, such as the disruption of established communities, the inundation of valuable land and mineral resources, the disruption of local taxing units by the removal of land to a tax-exempt status, the destruction of scenic values, and adverse effects upon fish and wildlife resources.

The Committee recognizes fully that such intangible benefits and detriments do exist, and that they must be taken into account in determining the wisdom of proceeding with many proposed projects.

There should be an adequate economic analysis of the benefits and costs of each project. In this analysis, it should be recognized that, from the standpoint of the Federal Government, many of these secondary benefits are of a local or regional nature. From the Federal viewpoint, therefore, consideration should always be given to what equally desirable secondary benefits might similarly result from other uses of equivalent money, goods and services.

Likewise, consideration must be given to an accurate comparison of the costs of government action with the costs of other means of meeting similar needs and achieving similar objectives.

General Principles

Certain general principles would appear clear:

1. All evaluations by all agencies should be prepared on a uniform basis. This has not heretofore been true. Uniformity in the preparation of evaluations is essential if accurate comparisons are to be made. Comparisons of projects are generally expressed in terms of benefit-cost ratios. Such a ratio is obtained by comparing the benefits from a project with the project costs and expressing the result in numerical terms. Normally, a water resources project should not be undertaken unless the benefit-cost ratio is greater than one to one. Since, however, such a ratio does not reflect either intangible benefits or intangible costs, which may be of substantial significance, the ratio should not be the only criterion of the desirability of a particular project.

2. All economic analyses including the calculations of benefit-cost ratios by all agencies should conform to criteria spelled out in detail. Much progress in this connection has been made in recent years as a result of inter-agency studies and the issuance of tentative standards by the Bureau of the Budget. Under the organizational plans outlined in Section 2 of this report, it is recommended that the system of requiring all Federal agencies to conform to uniform standards of evaluation be continued under the direction of the proposed Coordinator of Water Resources. The general criteria to be adopted should be on the most realistic basis possible. The comparisons with other means of obtaining the objectives should take into account all of the factors which affect the Federal Government.

3. Up-to-date project evaluations should be presented both at the time of the request for authorization, and again at the time of request for funds to undertake initial construction. No project should be authorized or constructed on the basis of figures which are several years out of date. The various Federal agencies engaged in water resources development have several hundred projects which have been authorized by the Congress during past years. It is essential that the economic factors of these projects be brought to current date before submission for further Congressional action.

Application of Principles

The Committee recognizes that the application of the foregoing general principles will require the most careful consideration of numerous factors by the Coordinator of Water Resources. It is neither necessary nor appropriate for the Committee to comment on all of these factors; however, certain of them deserve comment here.

General studies and expenses of government up to the time of the authorization of the project should be excluded from the cost of specific projects; however, any detailed investigations of specific projects, such as advance planning, should be included in project costs. In any comparison of costs it should be kept in mind that many of these preliminary investigation expenses would have had to be borne by any private concern undertaking a similar project and would properly appear as part of the costs of such private concern. The inclusion in or omission from project cost estimates of such items of expense as salaries of top level government officials, contributions of government toward retirement, services rendered by other agencies, postal expenses, and numerous others, should be stated specifically.

In estimating both construction costs and anticipated benefits and costs, the Committee recommends the use of current prices for early installation costs and long-term prices, excluding effects of inflationary and deflationary trends, for estimating deferred benefits and costs.

The wide difference in interest and taxes applicable to Federal and non-Federal investments raises a special problem in project evaluation. In order to assure proper resource development by either public or private means, a consistent basis for treating taxes and interest is essential. The Committee believes that in comparing any proposed water development project with alternative means for producing the same result, the full normal tax rate, including Federal, State and local, which the project would bear if constructed by taxpaying participants, must be used.

It must be remembered that whatever tax exemption is obtained by local projects through Federal ownership must be paid by other taxpayers generally.

Although for purposes of technical comparison the non-Federal interest rate should be used, the Committee recommends that for simplicity the Federal long-term borrowing rate be considered appropriate for interest charges in computing both project costs and the costs of alternative means. The Federal rate is generally lower than interest rates paid by other public or private agencies.

The Committee recommends that the evaluation period for estimating benefits and costs be the economic life of the project or fifty years beyond the date at which particular features go into service, whichever is less, tempered in the case of projects requiring a development period, such as the irrigation of land, by an additional ten-year allowance for such development to take place.

The annual costs chargeable during the evaluation period should include amortization with interest of all initial investment costs, less any salvage value for non-project uses; amortization of major replacements; and operation and maintenance costs.

The benefits attributable to the evaluation period should include only those annually accruing during the period. Any benefits believed to accrue beyond the fifty-year period should be separately identified.

Projects should be formulated, within sound economic limits, in such manner that the maximum net tangible and intangible benefits for each of the purposes of the project will be realized from the use of the site and the economic resources used in the project. No purpose or separate segment of the project should be developed beyond the point where the benefits added for the last increment are equal to the cost of its inclusion. Each segment of the project should be more economical than any alternative means, public or private, available in the locality for accomplishing the given purpose that would be expected to develop in the absence of the project.

Benefit-cost ratios of water development projects should be calculated on the basis of primary benefits. Any agency should be permitted to submit, as supplemental material, computations of secondary benefits. It should be borne in mind, however, that in the calculation of secondary benefits that can be used to justify a project, allowances must be made for the costs incurred in secondary activities and for comparable secondary benefits that might arise from other uses of the money, labor, and materials required by the project; that secondary benefits are not needed to justify projects which have primary benefits in excess of costs; and that secondary benefits cannot be used to justify project costs in excess of costs of alternative sources of services. Secondary benefits may be used in justifying projects in specific situations where a project is expected to cause a fuller use of economic resources that would otherwise be unemployed or unused. They frequently are of importance in the analysis of the local or regional benefits of a project, as a basis for local or regional cost sharing. Any use of secondary benefits should be separate from and not confused with the primary benefits used in computing the benefit-cost ratio.

It is important that uniform standards be used by all agencies for allocating costs of multiple-purpose water resources development projects among the project purposes in such manner that each purpose bears its own share of the costs and shares equitably

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in the savings resulting from being part of a multiple-purpose project. The Committee endorses for general use the separable costs-remaining benefits method of cost allocation as previously adopted by Federal agencies. Costs represented by expenditures to mitigate damages to existing resources and facilities should be equitably allocated among the project purposes.

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Section 7

AUTHORIZATION OF PROJECTS

The basic steps in the development of any water resources projects are, in order, field investigation, preparation of a report, and a request for authorization. If Congressional authorization is obtained, there follow annual requests for appropriations to construct the project. It is believed that as to all major projects, each of these steps should be under the control of the Congress.

The procedures for obtaining legal authorization of projects differ among the various Federal agencies. The Corps of Engineers must obtain authorization by specific affirmative legislation in each case, although this is customarily accomplished by omnibus rivers-and-harbors and flood control bills, each authorizing scores of projects throughout the United States and its Territories at one time. The Secretary of the Interior may himself under existing law authorize construction of certain projects upon finding that they meet specified criteria. In practice this has been discontinued, and the Department of the Interior now seeks specific legislation for individual projects. The Department of Agriculture under the Watershed Protection and Flood Prevention Act of 1954 can self-authorize projects, subject only to submitting them to Congress for a limited period of time during which Congress may take negative action.

It is recommended that all of the agencies initiate investigations of major projects only when such investigations are approved by the Congress, either by specific legislation or in connection with appropriations for investigation.

It is further recommended that major projects or programs for the development of water and related land resources involving Federal expenditure should be authorized only by specific act of Congress for each such project. To avoid placing an undue burden upon the Congress, however, the authority to construct small projects, may properly be delegated as at present to appropriate officials of the Executive Branch. "Small projects" is a very elastic term. A more precise definition by the Congress for use by all Federal agencies is highly desirable since there is variation among agencies under present laws.

Authorization for any project should not be proposed until a reasonable opportunity has been given for its review by the various Federal Departments, the Board of Review, the States, and local interests directly affected. Such a review would be provided under the planning procedures recommended in a previous section of this report.

The President should require that any proposal prepared in the Executive Branch be cleared by the Coordinator of Water Resources before it is submitted to the Congress. In this way the President may assure compliance by the several departments with uniform criteria and policy established by him within Congressional laws. This requirement should apply to all proposals in the water resources field, including those which are made by a Federal agency under specific Congressional direction, those which are proposed by a Federal agency as a result of its own investigations, and those which are required to remain before the Congress for a specific period before construction is undertaken.

If the Coordinator of Water Resources does not concur in a proposed report he should either (1) permit the proposing agency to forward the report to the Congress, accompanied by his comments, or (2) return the report to the preparing agency with suggestions for its revision and resubmission.

After a project is authorized, a re-examination of the economics and engineering should be made shortly before a request is made for appropriations for construction. This re-examination should be a planning type report which will be submitted through the Bureau of the Budget to the Appropriations Committees of the Congress in support of the request for construction funds. If significant changes are found in the project engineering or economics, a report covering these matters should be submitted to the Board of Review before being submitted to the appropriate legislative committees of the Congress for approval of modification of the project. With respect to projects which have been authorized for more than five years and to which no funds have been appropriated for construction, the re-examination reports should pass through the reviewing procedure previously proposed in this report.

Section 8

PARTICIPATION IN COSTS

Just as a sound national policy should provide for joint participation of Federal and non-Federal interests in the planning of water resources; by the same token it should provide for an equitable sharing of costs. As a general principle, the share of the costs to be borne by the beneficiaries should be proportionate to the benefits received.

If water resources projects generated benefits that were primarily of national significance, with only incidental direct benefits to particular individuals and incidental indirect benefits to particular areas, then cooperative action and the principle of cost-sharing would be inappropriate. But this is not generally the case. In most cases, the major share of the direct benefits of these projects accrues to particular individuals and a substantial portion of the indirect benefits accrues to particular areas. At the same time, the sound, long-run development of the Nation's water resources certainly yields benefits to present and future generations of all of our people. These general or national benefits provide the justification for the Federal Government bearing a fair share of the cost.

The principle of cost-sharing should not be limited to projects constructed by the Federal Government. It should apply also to projects constructed by non-Federal interests. In fact, the Committee believes that the States or their agencies and local public or private groups should be encouraged by the Federal Government to initiate and take responsibility for the construction of water resources projects. These projects, of course, should provide the optimum use of resources in keeping with jointly-developed river basin plans, and to the extent required, with Federal statutes and regulations. As a general policy, the Federal Government should not build any such project, or part thereof, that can, under fair and reasonable terms, be built by non-Federal interests, except those projects of primary national concern, where non-Federal interests are unable adequately to provide the need.

On the basis of these general views, the principles governing cost-sharing of water resources projects should be as follows:

1. Identifiable beneficiaries should pay an appropriate share of the cost of projects. The Committee believes that in most instances direct identifiable beneficiaries should pay a larger share of the cost for benefits received than they now do.

2. The non-Federal share of the costs should be collected from beneficiaries by non-Federal agencies on the basis of an equitable assessment in accord with legal machinery to be established as needed by the non-Federal agencies.

3. Where local governmental or private organizations cannot adequately meet the appropriate non-Federal share of the cost, State governments should participate in sharing the cost of projects. This could be accomplished through assessment of identifiable beneficiaries.

4. Responsibility for bearing the cost of maintenance and operation of Federal projects and for their management should be turned over to non-Federal interests as soon as it is soundly feasible in consideration of the Federal investment.

5. The cost of providing vendible products or services should be repaid in full by the sale of those products or services.

6. All Federal agencies should use a uniform approach to cost sharing so that the division of costs between the Federal Government and non-Federal interests for any particular project would be the same regardless of the agency undertaking the project.

Procedure for Cost-Sharing

General

The Committee has considered many cost-sharing proposals and has weighed carefully the elements of fairness to all concerned and precedents for sharing the cost of other programs. Further, it gave due recognition to the types of benefits accruing to individuals, groups of individuals, local and State governments, and the Nation as a whole. It was unable to discover for all cases a completely equitable yet practicable procedure for cost-sharing based solely on the principle of sharing costs in proportion to benefits.

The Committee recommends, as a general policy, that all interests participate in the cost of projects in accordance with the measure of their benefits, and that the Federal Government assume the cost of that part of projects where the benefits are widely dispersed and represent substantial contributions to the general economic growth of the country or region, or to the national defense.

The division of costs between Federal and non-Federal entities should be equitably determined on the basis of the degree and character of the respective interests, and the ability to identify direct beneficiaries. Where the project is primarily of a local character, and where beneficiaries are readily identifiable, the Federal Government's contribution should be limited, with the non-Federal interests bearing a substantial portion of the construction costs of the project as well as the replacement, maintenance and operation costs. In cases where projects supply or safeguard national needs, or where there are other special compelling considerations, the Federal Government may bear a larger portion of the cost if found in each case to be justified and consistent with criteria established by the Coordinator of Water Resources. Where the non-Federal share is paid over a period of time, proposed payments should be computed in terms of present worth.

In determining the total construction cost of a project all engineering, legal, land acquisition and related post authorization costs should be included.

Exceptions to this general policy are noted below.

Power and Municipal and Industrial Water Supply

The direct beneficiaries (users) should pay one hundred percent of project costs allocated to purposes of power development and to municipal and industrial water supply. This would apply to both Federally-constructed projects and to non-Federal projects to which the Federal Government contributes. (The use of excess revenues as an aspect of cost-sharing is discussed later in this section.)

Navigation

Serious consideration should be given to repayment of a portion of the costs of new navigation projects, particularly those which will create navigability where none now exists, by the institution of user charges. Although it would appear logical, in the interest of a completely uniform policy as to the participation of beneficiaries in the costs of water resources developments, that user charges should be instituted which would at least bear the cost of operation and maintenance of such navigation facilities, it must be recognized that the subject of user charges involves not only water policy but also the whole field of transportation, including many other media. Therefore, it is a more appropriate subject for a survey of the entire field of transportation than one of water policy alone.

Recreation and Fish and Wildlife

The Committee believes that the enhancement or improvement of basic recreation facilities (provision for access, public health, safety, and protection) and fish and wildlife resources of less than national significance should be treated in accordance with the general cost-sharing procedure proposed herein. Those of national significance should be financed entirely by the Federal Government. Lands to be acquired for purposes of enhancement of recreation or fish and wildlife resources should be shown separately in reports of project plans, and the acquisition of such lands should be authorized by the Congress for each individual project.

Drainage

Major drainage incidental to flood control projects should be financed in accordance with the general procedure for cost-sharing. Drainage undertaken by individual farmers is considered to be beyond the scope of water resources development projects. Multiple-farm drainage projects, if undertaken, would serve the same end purpose as irrigation projects; thus, they should be subject to the same cost-sharing policy as is irrigation.

Beach Erosion Control

Present laws and policies for sharing the cost of beach erosion control projects are satisfactory and should be continued.

Salvage of Historic Objects

The costs of salvage of objects of significant historic, archeologic, and scientific interest in connection with the development of water resources should be borne by the Federal Government. These funds should supplement rather than replace those now being devoted to this work by universities, scientific organizations, and others.

Pollution Abatement and Control

The Committee endorses the established policy of primary State responsibility for controlling water pollution. However, in view of the broad public interest in water pollution control, the growth and seriousness of the problem, importance of basin-wide planning, and the interstate character of many polluted waterways, the Committee recommends that the Federal Government exert strong leadership in solving water pollution problems. Suitable areas for leadership include research to assist in devising and perfecting methods of treatment of complex wastes; technical assistance to State and interstate agencies, to municipalities and to private interests in the execution of water pollution abatement programs; and planning the solution to interstate pollution problems. Federal enforcement of pollution control should be used when necessary to protect navigation and to assure correction of deficiencies in control of pollution having serious interstate effects when efforts by the States and interstate agencies have been exhausted or are ineffective. Intrastate pollution problems should remain the responsibility of the States. The Committee believes that the preferable Federal means of accelerating pollution abatement measures is to stimulate, strengthen, and increase the effectiveness of all phases of State, interstate, and local pollution control programs.

Where Federal water resources development projects provide incidental pollution abatement benefits, the cost allocated to this purpose should be borne by the beneficiaries. The assessment of beneficiaries for such cost is a responsibility of the non-Federal agencies and can be accomplished in the same manner as for other water resources development purposes.

Special Problems

Use of Excess Revenues

Reclamation law has for many years permitted the application of excess revenue from the sale of power and municipal and industrial water (i. e., revenues received in excess of the amount necessary to amortize the capital cost with interest and cost of maintenance and operation of such purposes) to help repay part of irrigation costs. Such application has been made on numerous projects over many years. It should be recognized, however, that any charge for power above that necessary to repay power costs constitutes in effect an assessment upon the power users, who include practically all of the residents, in the region. Thus it is one method of collecting a share of costs from secondary local beneficiaries.

The Committee believes that such a use of excess revenue from Federal power sales to repay a portion of the costs of other types of projects is a justifiable procedure provided the project to which such revenues are applied is a part of the area from which such excess revenues are derived. However, it should be pointed out that the utilization of excess revenue to aid projects which are in no way related to the facility producing the excess revenues amounts in reality to the operation of a Government facility to obtain a profit to be used for other purposes, and there are obvious limits beyond which such a policy cannot be justified. Under the joint Federal-State planning procedures recommended herein, the people of the region concerned will have a voice in determining whether they should be required to pay rates creating such excess revenues for the benefit of other projects.

Payment of Interest

Repayment of the Federal investment is required for certain types of water resources developments. However, there is no uniform pattern governing the payment of interest on Federal funds advanced for this purpose. For example, power as well as municipal and industrial water users generally pay interest while irrigators do not. Under existing procedure other beneficiaries, such as those protected from flooding, are generally not required to reimburse the Federal Government for its cash outlays, and interest is consequently not involved.

The Committee recommends that as a general policy interest be paid on all Federal investment subject to repayment. In making this recommendation, the Committee recognizes that the provision of interest-free Federal funds for irrigation does not conform to this policy. The Committee believes, however, that this provision should not be eliminated but rather that interest should be shown clearly as a Federal cost, as should all non-reimbursable items in all projects.

There should be no interest-free funds provided on Federal investment in irrigation works supplying water to farm land in excess of a family-size farm. The Committee believes that there should be more flexibility in the determination of what constitutes a family-size farm.

Payment of Taxes on Water Resources Projects

The Committee believes that with respect to the payment of taxes revenue-producing water resources projects should be considered in the same category as other Government business enterprises and that when general legislation is enacted, requiring such Federal activities to make payments in lieu of taxes, water resources projects be included on the same basis as other similar enterprises.

Operation and Maintenance

The Committee recognizes that, in view of the great variation in the nature and size of Federal water resources projects, no clean-cut line can be drawn between projects which can feasibly be turned over to non-Federal interests for operation and maintenance, and those which the Federal Government should operate and maintain. The particular conditions relating to each project should govern the determination of responsibility for operation and maintenance. The Committee recommends that operation of water resources projects be turned over to non-Federal interests as soon as possible in all cases where this is practicable. This applies particularly to local irrigation systems, and flood control projects, and similar projects or parts of projects.

Non-Federal Projects

The Federal Government should encourage non-Federal initiation and assumption of responsibility for construction of water resources projects. This encouragement should include payment in the case of non-Federal projects of the amount that would have been non-reimbursable had the project been Federally constructed, and the making or guaranteeing of loans to non-Federal interests for the construction of projects, and other appropriate means.

As an incentive to non-Federal construction of partnership projects having no vendible products, the Federal Government should increase by ten percent the amount which it would contribute under the proposed general cost-sharing procedure if the project were to be built by the Federal Government.

The Federal Government should, to the extent necessary and appropriate, make or guarantee loans, under reasonable regulations, and with adequate security to States or local political subdivisions to construct water resources projects. However, no loans or guarantees should be made to cover costs of developing projects or portions thereof for power or municipal and industrial water, since, if these are economically sound, they may be readily financed otherwise.

To qualify for Federal participation, proposed non-Federal projects should be covered by reports of plans and investigations, including benefit-cost and financial analyses that are comparable to those made by the Federal Government for Federal projects. These reports are essential as a basis for Federal determination as to whether a non-Federal project is economically feasible and otherwise justified and as to what share of the cost each of the interested parties should be expected to bear.

CABINET PAPER—PRIVILEGED

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CI - 34

November 18, 1955

The White House

Washington

THE CABINET

Major Recommendations of the President's Advisory Committee on Water Resources Policy with Notations of Parallel Recommendations of the Hoover Report on Water Resources and Power

For information of the Cabinet, attached is an annotated comparison, in parallel columns, of the Recommendations on Water Resources Policy made in the Reports of

a) the President's Advisory Committee (CP - 28/2)

and

b) the Hoover Commission.

This comparison was prepared by Major General John S. Bragdon (USA, Ret.), Special Assistant to the President for Public Works Planning.

The attached comparison is being circulated as supplementary information for the Cabinet in conjunction with its consideration of the Report of the President's Advisory Committee (CP - 28/2).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

November 17, 1955

Major Recommendations of the President's Advisory Committee on Water Resources with Notations of Parallel Recommendations of the Hoover Report on Water Resources and Power.

1. Basic Data

PACWRP	Hoover Commission Report
That the present program of basic data collection (such as rainfall, stream flows, and hydrology) be accelerated, and be programmed and carried out on a more consistent and definite basis. (Sec. 1, pages 10-21)	That one Federal agency should be made responsible for collecting and reviewing the adequacy of hydrologic data. (Rec. No. 1 (g), page 37)

Comment: There has never been any problem due to the number of agencies collecting basic data. The lack has been in putting the data in such form as to be available to all users. The total personnel of the agencies (Weather Bureau, Geological Survey, etc.) now doing the work could not be reduced.

The problem has been one of lack of funds to collect and process the data on a definite time schedule. Definite programs are proposed in PACWRP.

2. Planning

PACWRP	Hoover Commission Report
a. Cooperative between Federal, State and local from beginning. (Sec. 2, pages 22-29)	a. That the Federal Government should provide advisory assistance to those local and State agencies that are undertaking water resource and power development projects. (Rec. No. 1 (e), page 37)

2. Planning (Cont.)

PACWRP	Hoover Commission Report
b. Recommends States create staff organization to participate in planning. (Sec. 2, page 25)	
c. The objective of planning should be the best utilization of all water resources from the time precipitation falls on the land until the water finds its way into the sea. (Sec. 2, page 23)	c. Rec. No. 1 (a), page 36, states that water resources should be developed so as to assure their optimum use and their maximum contribution to the national economic growth, strength, and general welfare.
d. General acceptance of river basin or major drainage area as most appropriate geographic unit for planning but should not prejudice consideration of important inter-basin relationships.	d. Rec: No. 1 (b), page 36, proposes that water resources developments be generally undertaken by drainage areas locally and regionally.

Comment: Both reports recommend collaboration of all levels of government in planning and coordination of planning and best utilization of the water resources of the area.

3. Planning Organization

PACWRP	Hoover Commission Report
a. Coordinator of Water Resources representing the President in coordinating plans, policies, and procedures. (Sec: 2, pages 31 and 32)	a. Rec: No. 2, page 39, proposes the creation of a "Water Resources Board" to be located in the Executive Office of the President. Cabinet members and five public, under non-Federal

3. Planning Organization (Cont.)

PACWRP	Hoover Commission Report
	chairmanship to determine broad policies to recommend to President and Congress, and to devise methods of coordination.
b. A Board of Review to analyze engineering and economic feasibility. Reports to President through the Coordinator. (Sec. 3, pages 33 and 34)	b. Rec. No. 3, page 39, proposes that the staff conducting certain of the functions of the Bureau of the Budget be strengthened by such professional staff as will enable it to fully perform the function of evaluation of the merits of water development projects presented to it for appropriations.
c. Regional or River Basin Water Resource Committees consisting of federal field agencies and the States involved under Chairman appointed by President, and be responsible to President through the Coordinator. Prepare comprehensive plans. (Sec. 2, pages 29 and 30)	c. Contemplates that the "Water Resources Board" will establish basin committees. (Page 31.)
d. A permanent Federal Inter-Agency Advisory Committee under chairmanship of Coordinator. (Sec. 2, page 31)	

3. Planning Organization (Cont.)

Comment: PACWRP establishes a working organization at the Federal level to appraise projects centrally and impartially and to consider and draw together agency differences. It also establishes a working organizations at regional levels with State and basin representatives who participate actively with Federal agencies in planning. Finally, all these would report directly to the President through one responsible official. The organization is strong, simple, and blends policy with central coordination and the actual work of planning.

A Water Resource Board of Cabinet and public members would not be a working board. It would require a huge staff. The Bureau of the Budget's functions in evaluating projects presented to it for appropriation would not be disturbed. The problems involved are those of review for justifying authorization to meet problems of growth of nationwide needs. Water resources development is one branch of public works which must deal with these activities on an intimate basis with State and local governments.

4. Water Rights

a. That the principles which recognize water rights as property rights be accepted. That determinations as to disposition of water recognize such rights. (Sec. 4, page 37)	a. Rec. No. 1 (d) page 36, states that in participating in water resources and power development, the Federal Government without waiving its Constitutional rights should take account of the rights and laws of the separate States concerning appropriation, use,

4. Water Rights (Cont.)

PACWRP	Hoover Commission Report
	control, and development of waters within their boundaries.
b. That a study be made by the Federal Government in collaboration with State and local entities to determine the relationships between property rights to water and the social and economic development of the Nation and the area, and of the principles and criteria which should be incorporated into Federal, State and local laws regarding rights to the appropriation and use of water. (Sec. 4, pages 37 and 38)	
c. That States enact legislation regarding the ownership and right, purpose and place of use of underground water. (Sec. 4, page 38)	
d. That formation of interstate compacts where appropriate be encouraged. (Sec. 4, page 39)	d. /The Task Force (page 607) states that where interstate streams are involved, States should be encouraged and, as a prerequisite to Federal participation, be required to create interstate compacts for the purpose of

4. Water Rights (Cont.)

dealing with water resource development.]

[Task Force (page 1702). The interstate compact is one of the few available means of unifying and making binding State responsibility for dealing with interstate problems, many of which cannot or perhaps should not be dealt with by the Federal Government.]

Comment: This declaration of PACWRP mentions neither Federal nor State laws. Its declaration of acceptance of water rights as property rights necessarily includes those acquired in accordance with State laws. The supremacy of the Constitution is assumed. Even though the Constitution may declare a superior right, it need not be asserted when a region's best interests require the supremacy of a specific type of State rights for the present stage of its development.

The Federal Government should not merely "take into account" the water rights but "accept" them unless some deep national interest such as defense requires otherwise.

This question is at present the most controversial and complicated in the water resources field (with the possible exception of Power). It has ramifications so widely variant in different regions that a study should be made by representatives of all echelons of government, both with respect to the

4. Water Rights (Cont.)

relationship of water rights and economic development and also as to what laws should be enacted at all levels to harmonize the varying demands. A definite report with recommendations should be submitted at a specific time.

Supplies of underground water become more important as surface runoff supplies become shorter. Laws should be enacted to protect these supplies and govern rights to their use. Such laws should be on State levels.

Interstate compacts can operate in those areas which are beyond the geographical limitations of individual State power and beyond the limitations of the delegated powers of the Federal Government. Hence, they are an appropriate medium for determining and administering water rights on interstate streams.

5. Priority of Use of Water

a. That no system of relative priorities for use of water should be applied uniformly to the entire country. (Sec. 5, pages 41-42)

b. Legally established water rights should not be disturbed without just compensation. (Sec. 5, page 42)

Comment: The policy expressed in the PACWRP report means that different sections of the country should be allowed to establish their own priorities, since a type of interest dominant in one region and requiring water priorities

5. Priority of Use of Water (Cont.)

there may be secondary in another area. Uses of water for manufacturing and transportation are more important in the East, whereas water for agriculture, stock raising, and mining are among the highest needs in the West. Priorities of needs in a region change as developments occur, and this too makes it essential that this determination be left with the States.

Congress has in a number of instances subordinated uses of water for which a national servitude exists to the beneficial consumptive uses required by the needs in the Western States. This has often been by specific statement or by acquiescence to a compact of the States themselves. Such procedure usually meets the situation better than Federal nationwide legislation.

6. Evaluation

PACWRP	Hoover Commission Report
a. That evaluations of water projects by all agencies be on a uniform basis, requiring balanced consideration of all benefits and costs which can reasonably be measured in dollars, as well as consideration of other values not readily expressed in monetary terms. (Sec. 6, pages 43 - 46)	a. That before Congress authorizes or appropriates funds for Federal participation in any water resource project, it should have substantial evidence that the project is economically justified and financially feasible, and that such project is essential to national interest. /Task Force (page 88). That Congress by law require for economic justification conformity to a set of principles

6. Evaluation (Cont.)

PACWRP	Hoover Commission Report
	formally set forth as to cost benefits, elements and determination.]
b. That benefits/cost ratios be calculated according to detailed criteria. (Page 45) That evaluations be based on up-to-date estimates. (Sec. 6, page 46)	
c. That all costs, including overhead, be included. (Page 47)	
d. That current price levels for early work and long-term price for deferred items be used. (Sec. 6, page 47)	
e. That actual tax and interest payments be used in determining benefits from an alternate private source. (Sec. 6, page 48)	
f. That full normal taxes be used in computing costs for comparison with an alternative means. (Sec. 6, page 48)	
g. Interest at Federal long-term borrowing rate be included in project costs and costs of alternate means. (Sec. 6, page 48)	

PACWRP	Hoover Commission Report
6. Evaluation (Cont.)	
h. That project costs be allocated to purposes according to a uniform method of equitable distribution and that the separable Costs-Remaining Benefits Method be adopted. (Sec. 6, page 51)	
i. That evaluation period be fixed at economic life or 50 years, whichever the less. (Sec. 6, page 49)	
j. That annual costs includes amortization with interest of initial costs and proper share of major replacements; and operation and maintenance. (Sec. 6, page 49)	
k. Annual benefits be only those which accrue during period of analysis. (Sec. 6, page 49)	

Comment: These requirements raise the standards for and help insure defensible justification. They remove conflicts which exist when different methods are used by different agencies.

7. Authorization

PACWRP	Hoover Commission Report
a. That each major water resources project be separately authorized by the Congress. (Sec. 7, page 52)	
b. Also, initiate investigation of major projects only when authorized by Congress. (Sec. 7, page 52)	
c. All projects reviewed by Federal agencies, Board of Review, States and local interests, cleared by Co-ordinator. (Sec. 7, page 53)	

Comment: These procedures are to secure uniformity among the agencies and assure congressional and executive control of all stages - investigatory, authorization, and initiation of work.

8. Cost-Sharing

PACWRP	Hoover Commission Report
a. That, as a general policy, all interests participate in the cost of water resources development projects in accordance with the measure of their benefits; that the Federal Government assume the cost of that part of projects where benefits are national and widespread and beneficiaries are not readily identifiable; that power and	a. Rec. No. 1c, page 36, proposes that the Federal Government assume responsibility when participation or initiative is necessary to further or safeguard the national interest or to accomplish broad national objectives, where projects, because of size or complexity or potential multiple purposes or benefits, are beyond the mea

8. Cost-Sharing (Cont.)

municipal water users pay the full cost of development; and that where projects are primarily local, and the beneficiaries are clearly identifiable, the Federal Government bear no more than half the construction costs; in other cases where it is necessary to supply or safeguard national needs, or where beneficiaries are financially unable to bear their fair share of the costs, the Federal Government may bear a higher proportion of the costs. (Sec. 8, pages 55-60)

b. Where local governmental or private organizations cannot adequately meet the appropriate non-Federal share of the cost, State governments should participate in sharing the cost of projects. This could be accomplished through assessment of identifiable beneficiaries. (Sec. 8, page 56)

or the needs of local or private enterprise. Under other circumstances the responsibility for development should be discharged by State or local governments, or by local organizations, or by private enterprise.

8. Cost-Sharing (Cont.)

PACWRP	Hoover Commission Report
c. Navigation: Consideration should be given to repayment by users of a portion of costs of new projects, and the operation and maintenance, but that this subject is involved in the whole field of transportation and should be included in a survey thereof. (Sec. 8, page 58)	c. Rec. No. 8, page 85 provides that Congress authorize a user charge on inland waterways except for smaller pleasure craft, sufficient to cover maintenance and operation, and authorize the Interstate Commerce Commission to fix such charges.

Comment: There is general agreement that cost sharing by beneficiaries has been inadequate; that methods of determining non-Federal contributions have not been consistent between the agencies; and that a definite proportion to aim for should be set as a goal where feasible. These provisions cure much of these deficiencies. There are still problems to be solved, such as navigation user charges, but the mechanism for resolving such problems is set up elsewhere in the report.

9. Responsibility - Partnership

a. As a general policy, the Federal Government should not build any such project, or part thereof, than can, under fair and reasonable terms, be built by non-Federal interests, except those projects of primary national	a. Rec. No.1c. page 36, states that the Federal Government should assume responsibility when participation or initiative is necessary to further or safeguard the national interest or to accomplish broad national objectives,

9. Responsibility - Partnership (Cont.)

PACWRP	Hoover Commission Report
concern, where non-Federal interests are unable adequately to provide the need. (Sec. 8, page 56)	where projects, because of size or complexity or potential multiple purposes or benefits, are beyond the means or the needs of local or private enterprise. Under other circumstanc the responsibility for development should be discharged by State or local governments, or by local organizations, or by private enterprise.
b. Responsibility for bearing the cost of maintenance and operation of Federal projects and for their management should be turned over to non-Federal interests as soon as it is soundly feasible in consideration of the Federal investment. (Sec. 8, page 56)	b. Rec. No. 15a, page 122, states that private enterprise be offered the opportunity to provide the capital for the electrical component of multiple-purpose dams and dispose of the powe through their own systems (they being subject to regulation of rates by Federal and State authorities), but the management of the dams should remai in the Federal Government.

__Comment:__ Some solutions advanced regarding this problem would have the Federal Government carry out no resource development if it can be done otherwise. This would retard growth of the nation. Under this report the Federal

9. Responsibility - Partnership (Cont.)

Government is left in the field with a definite role while local interests are brought in with a greatly broadened scope of activity in initiation in planning, in responsibility for, in cost-sharing and in execution.

10. Payment of Interest and Taxes

PACWRP	Hoover Commission Report
The Committee believes that with respect to the payment of taxes revenue-producing water resources projects should be considered in the same category as other Government business enterprises and that when general legislation is enacted, requiring such Federal activities to make payments in lieu of taxes, water resources projects be included on the same basis as other similar enterprises. (Sec. 8, page 62)	Rec. No. 9, page 111, proposes that the Congress empower and direct the Federal Power Commission to fix the rates on Government power sales at such levels as will: (a) Eliminate the inequities now imposed upon the great majority of the people; (b) Amortize and pay interest on the Federal investment in power, plus an amount which will equal Federal tax exemption based upon the Federal taxes paid by the private utilities; and (c) Provide payments in lieu of full taxes to the State and local government equivalent to those the private utilities would pay.

PACWRP	Hoover Commission Report
10. Payment of Interest and Taxes (Cont.)	
The Committee recommends that as a general policy interest be paid on all Federal investment subject to repayment. This is exclusive of irrigation projects. (Sec. 8, page 62)	
11. Pollution Abatement	
The Committee recommends continuation of the established policy of primary State responsibility for controlling water pollution with Federal participation consisting of research and technical advice. Intra-State pollution problems should remain the responsibility of the States. (Sec. 8, page 60)	[Task Force (page 103). That the Congress continue in effect legislation for Federal interest in and responsibility for the control of water pollutio as at present provided but exclude fro the legislation any provision for the assumption of financial responsibility for construction of abatement facilities.]
12. Re-examination of Projects	
After a project is authorized a re-examination of the economics and engineering should be made for appropriations for construction. For projects authorized more than five years, the re-examination should pass through the	Rec. No. 1f, page 37, states that befo Congress authorizes or appropriates for Federal participation in any water resources project, it should have substantial evidence that the project is economically justified and financially

12. Re-examination of Projects (Cont.)

PACWRP	Hoover Commission Report
regular review procedure. (Chapter 7, page 54)	feasible, and is essential to the national interest. Rec. No. 7, page 83, provides that all projects declared obsolete or unsound by the Chief of Engineers should be removed from Congressional authorizations.

The PACWRP report provides for reviews of projects. Rec. No. 7 of the Hoover Commission stems from the findings made by the Chief of Engineers as a result of a study requested by the Congress and the Bureau of the Budget that a number of projects authorized in the past are no longer feasible and should be de-authorized.

The organization and procedures contemplated under the Advisory Committee report provides for such action as required.

13. Family Size Farms

PACWRP	Hoover Commission Report
There should be no interest-free funds provided on Federal investment in irrigation works supplying water to farm land in excess of a family size farm. There should be more flexibility in determining what constitutes a family-size farm. (Sec. 8, page 62)	Rec. No. 4, page 54, states that Congress should amend present acreage limitations so as to meet local conditions.

14. Disposition of Revenues from Federal Water Resources and Power Projects

PACWRP	Hoover Commission Report
No statement	Rec. 1h, page 37, proposes that all Federal agencies administering rever producing water resources and power projects should pay all cash revenues into the Treasury as miscellaneous receipts, and receive annual appropriations for operating expenditures.

Comment: The PACWRP report and the Interior Power Policy statement make no mention of this subject. However, the Administration has, in connection with several legislative proposals, i.e., TVA financing bill and Upper Colorado, concurred in or approved the use of revenues for current operation and maintenance expenses on such projects but has insisted that expenditures for capital improvements pass through the regular budgetary and appropriation procedure.

15. Regulation of Rates for Sale of Energy from Federal Power Projects

PACWRP	Hoover Commission Report
No statement	Rec. 1i, page 37, proposes that regulation of rates for sale of energy by al Federal agencies be vested in the Federal Power Commission

Comment: Neither the PACWRP report nor the Interior Power Policy statement includes any comment as to where responsibility for regulation of rates should rest. The Administration has gone along with previous proposals of this

PACWRP **Hoover Commission Report**

15. Regulation of Rates for Sale of Energy from Federal Power Projects (Cont.)

character. The Federal Power Commission is required by law to regulate rates for sale of power from Corps of Engineers dams but not for those of other agencies such as Interior and TVA. Yet, they are often integrated into one power system. It would appear consistent for the Federal Power Commission to regulate the rates for power sold from all Federal projects in order to assure uniform consideration and treatment.

16. Revolving Funds

No statement	Rec. No. 5, page 55, states that revolving funds should be abolished and all moneys payable into these funds should be covered into the general fund of the Treasury and all project funds be appropriated by the Congress.

Comment: This proposal is somewhat similar to Hoover Commission recommendation No. 14 referred to above. Neither the PACWRP report nor the Power Policy Statement cover this matter. The Administration has taken the position that revolving funds are suitable for financing operation and maintenance of Federal business enterprises but that all revenues above those requirements should be covered into the general fund of the Treasury and all capital additions and major replacements financed through the regular budgetary and appropriation process.

17. Responsibility for Construction of Headwater Dams

PACWRP	Hoover Commission Report
No statement	Rec. No. 6, page 71, is to the effect that the construction of the headwate dams in the flood control program of Agriculture be transferred to the Co of Engineers.

Comment: While the PACWRP report does not comment specifically on this subject, it does state that consolidation of agencies engaged in natural resource development into one Federal agency would not solve many of the more importa problems. It would first be necessary that conflicting policies now existing under various laws that have heretofore been passed be resolved. This commen would apply equally to the subject recommendation of the Hoover Commission. Since local interests, rather than the Department of Agriculture, "construct" these headwater dams, the recommendation, literally read, is relatively meaningless.

18. Steam-Electric Power Plants

PACWRP	Hoover Commission Report
No statement	Rec. 10, page 111, proposes that the Federal Government cease building steam plants and the agencies provid for the equation of their power loads by interconnection with the grids of neighboring systems.

Comment: Neither the PACWRP report nor the Power Policy Statement make any comment on this subject. However, the only Federal agency now concerned

PACWRP — **Hoover Commission Report**

18. Steam-Electric Power Plants (Cont.)

with the building of steam plants for commercial sale of power is the TVA. The policy on TVA has been enunciated several times in Budget messages. It has been proposed that future expansion of TVA generating facilities be financed by means other than Federal appropriations.

19. Preference in Sale of Power

PACWRP	Hoover Commission Report
No statement	Rec. 11a, page 113, states that private utilities should be permitted to purchase a fair share of Federal power.

Comment: The PACWRP report does not comment on this subject but the Power Policy Statement provides for the disposition of power to privately-owned public utilities serving domestic and rural customers after provision has been made for preference customers. Public bodies should first be afforded an opportunity to purchase the power in the form which will best utilize the capabilities of the site and at the price which covers the cost of its production, and if such preferences are unable or unwilling to contract for purchase of that power, it be sold to others.

20. Transmission Lines

PACWRP	Hoover Commission Report
No statement.	Rec. 11b, page 113, proposes that no further transmission lines be built where service can be obtained through non-Federal facilities.

Comment: The PACWRP report does not comment on this matter. The Power Policy Statement provides for the construction of backbone transmission facilities that are economically feasible and necessary for their proper integration and operation of Federal plants. It also provides for the construction of Federal facilities to transmit the power to load centers where other public or private interests do not have or will not provide the necessary facilities on reasonable terms.

21. Incorporation of Federal Power Systems

PACWRP	Hoover Commission Report
No statement.	Rec. No. 12, page 121, proposes that six large existing Interior power systems all be incorporated and made subject to Government Corporation Control Act.

Comment: Neither the PACWRP report nor the Power Policy Statement take any position on this matter. While it has been generally agreed that such enterprises should operate under business type budgets and financing it has also been considered that their incorporation was not necessary to accomplish this objective. Furthermore, if all revenues were to be paid into the Treasury

PACWRP **Hoover Commission Report**

21. Incorporation of Federal Power Systems (Cont.)

as proposed by the Hoover Commission in Recommendation No. 14 and 5, it would seem to have little, if any, value unless the corporations were required to finance capital expansion through bond issues as proposed on Recommendati No. 13 described below.

22. Financing of Capital Improvements to Power Systems

No statement.	Rec. No. 13, page 121, is to the effect that the Corporations proposed to be established above, together witl the TVA, should be required to secur capital for their future improvements when authorized by the Congress, through issuance of their own securities to the public without subordinating the Federal investment.

Comment: Neither the PACWRP report nor the Power Policy Statement cover this matter. This proposal is the course adopted by the Administration for the TVA as contemplated in pending legislation submitted to the Congress last year. While it is exceptionally suited to financing of projects to be built entirely for power such as steam plants, difficulties could well arise with respect to multiple purpose projects involving hydro-electric power developme

Recommendations No. 12 and 13 of the Hoover Commission Report could result in the perpetuation of Federal agencies in the power business; operating

PACWRP Hoover Commission Report

22. Financing of Capital Improvements to Power Systems (Cont.)

with such tax and interest rate advantages as to discourage partnership by private interests.

23. Representative on Board of Directors of Federal Power System Corporation

No statement	Rec. No. 14, page 121, provides for representation by the States concerne as well as Federal representatives on the Boards of Directors of Federa Power Systems.

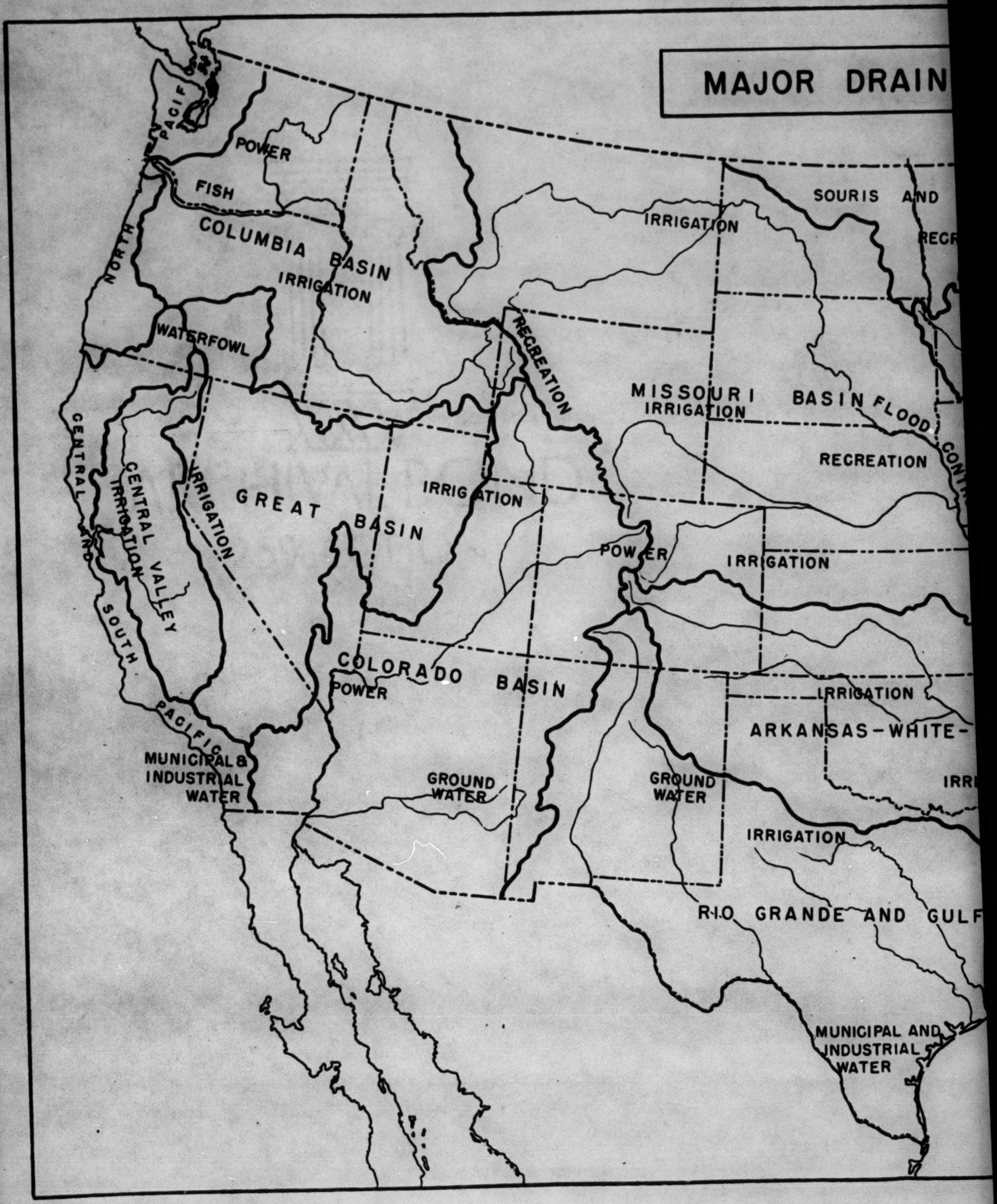
Comment: It is not clear whether these would be State employees or Federal employees selected from the States involved.

While the PACWRP report and the Power Policy Statement make no mention of this subject, the proposal would seem to be in line with the policies enunciated in the former concerning cooperative planning and operation of projects provided it was understood that individuals would have to be considered, once appointed, as Federal officials of a Federal Corporation, even though they could well originate from the region. It would seem untenable (and probably unconstitutional) to have individuals irresponsible to the laws of the United States having a voice in the control of a Federal Corporation.

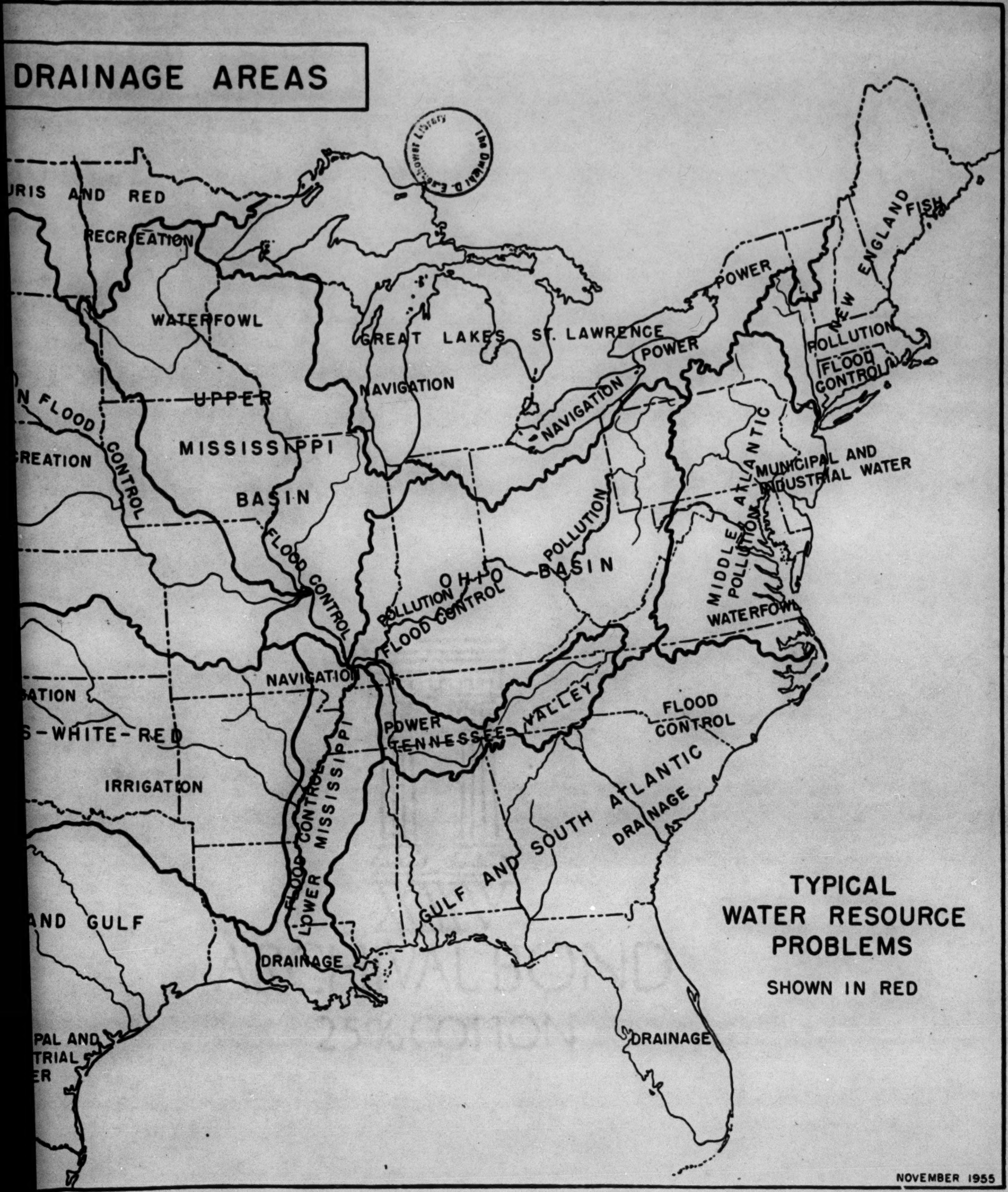
24. Sale of Power from New Multiple Purpose Projects

PACWRP	Hoover Commission Report
No statement	Rec. No. 15b, page 122, proposes that if private capital is not available for provision of the power features of new Federal multiple purpose projects, power be offered for sale to private utilities, States, municipalities or cooperatives prior to construction, on terms that will protect the Federal interest.

Comment: The PACWRP report does not directly touch on this subject. The Power Policy Statement provides that if non-Federal interests do not wish to undertake the construction of such power facilities under Federal Power Commission licenses, the Federal Government will build them when economically justified and feasible. Also, as indicated in Item 19 above, under the power policy preference in the sale of power would be given to public bodies.


MAJOR DRAIN
PACIFIC
POWER
FISH
NORTH
COLUMBIA BASIN
IRRIGATION
WATERFOWL
SOURIS AND
RECR
IRRIGATION
RECREATION
MISSOURI BASIN FLOOD CONTR
IRRIGATION
RECREATION
CENTRAL AND SOUTH PACIFIC
CENTRAL VALLEY
IRRIGATION
IRRIGATION
GREAT BASIN
IRRIGATION
POWER
IRRIGATION
COLORADO BASIN
POWER
MUNICIPAL & INDUSTRIAL WATER
GROUND WATER
GROUND WATER
IRRIGATION
ARKANSAS-WHITE-
IRRI
IRRIGATION
RIO GRANDE AND GULF
MUNICIPAL AND INDUSTRIAL WATER

DRAINAGE AREAS

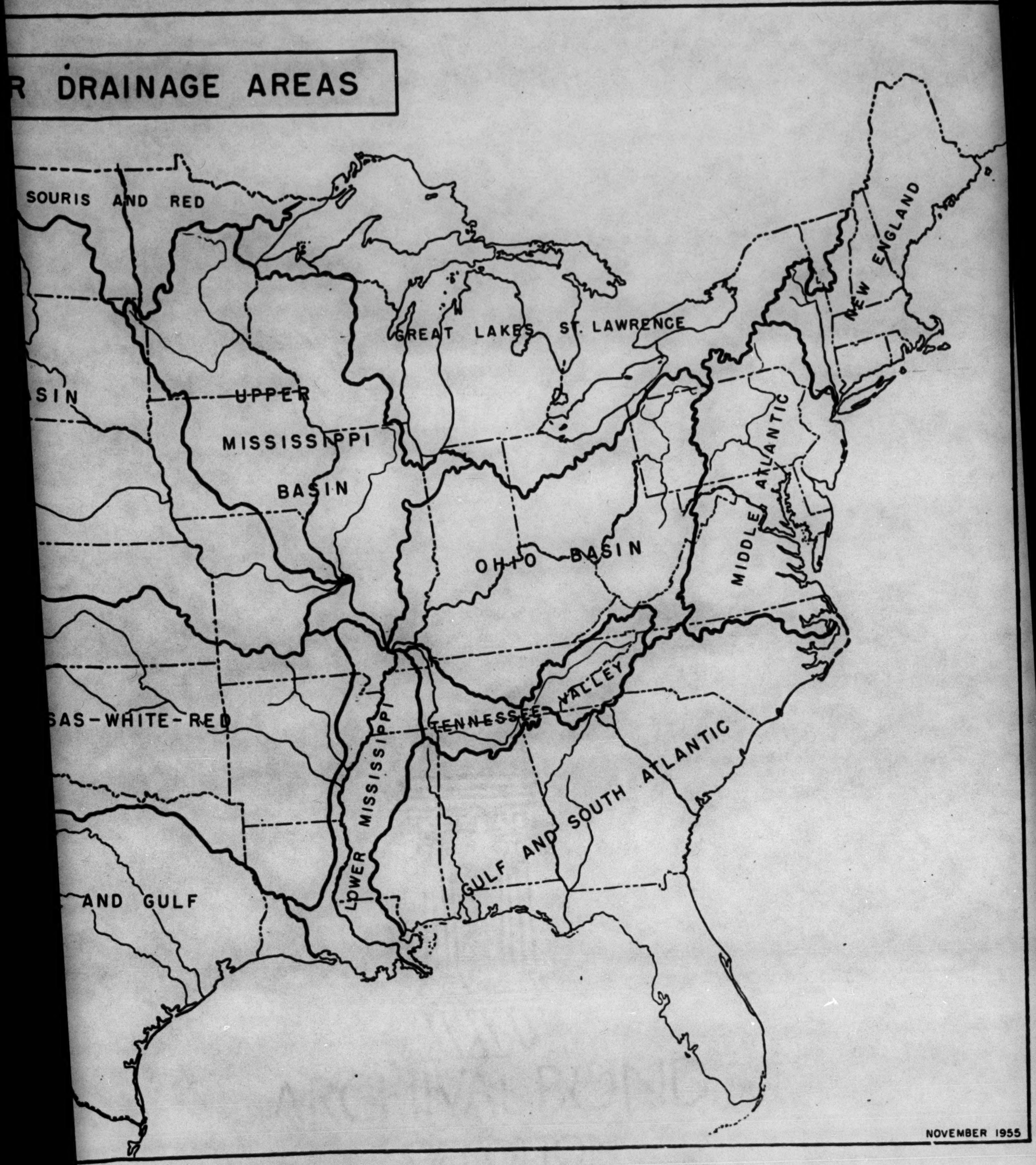


URIS AND RED
RECREATION
WATERFOWL
UPPER MISSISSIPPI BASIN
N FLOOD CONTROL
CREATION
FLOOD CONTROL
GREAT LAKES ST. LAWRENCE
NAVIGATION
NAVIGATION
POWER
POWER
NEW ENGLAND
FISH
POLLUTION
FLOOD CONTROL
MIDDLE ATLANTIC
MUNICIPAL AND INDUSTRIAL WATER
POLLUTION
WATERFOWL
OHIO BASIN
POLLUTION
POLLUTION
FLOOD CONTROL
NAVIGATION
GATION
S-WHITE-RED
IRRIGATION
TENNESSEE VALLEY
POWER
FLOOD CONTROL
GULF AND SOUTH ATLANTIC
DRAINAGE
LOWER MISSISSIPPI
FLOOD CONTROL
AND GULF
DRAINAGE
DRAINAGE
PAL AND
TRIAL
ER

TYPICAL
WATER RESOURCE
PROBLEMS

SHOWN IN RED

NOVEMBER 1955



R DRAINAGE AREAS

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ASIN
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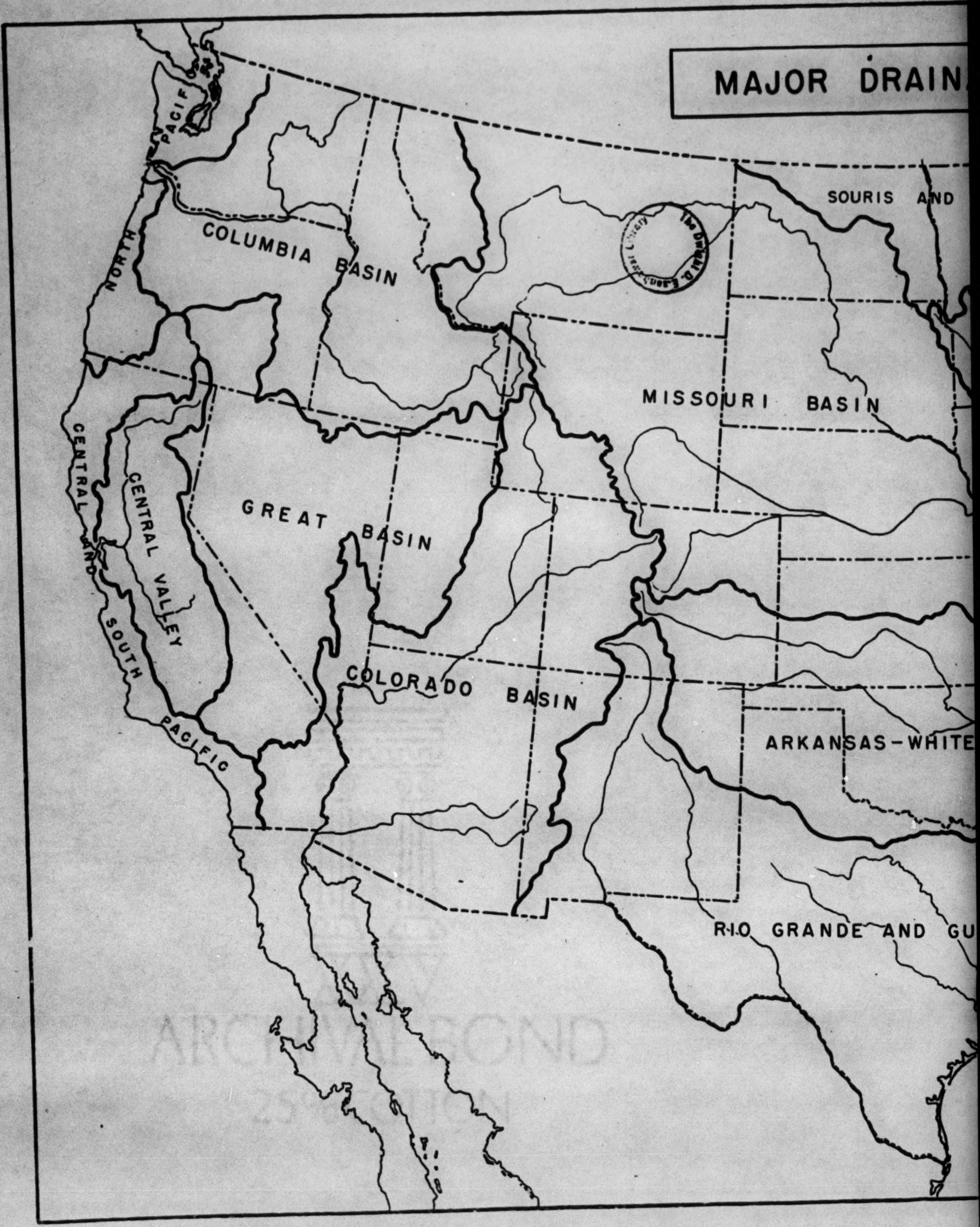
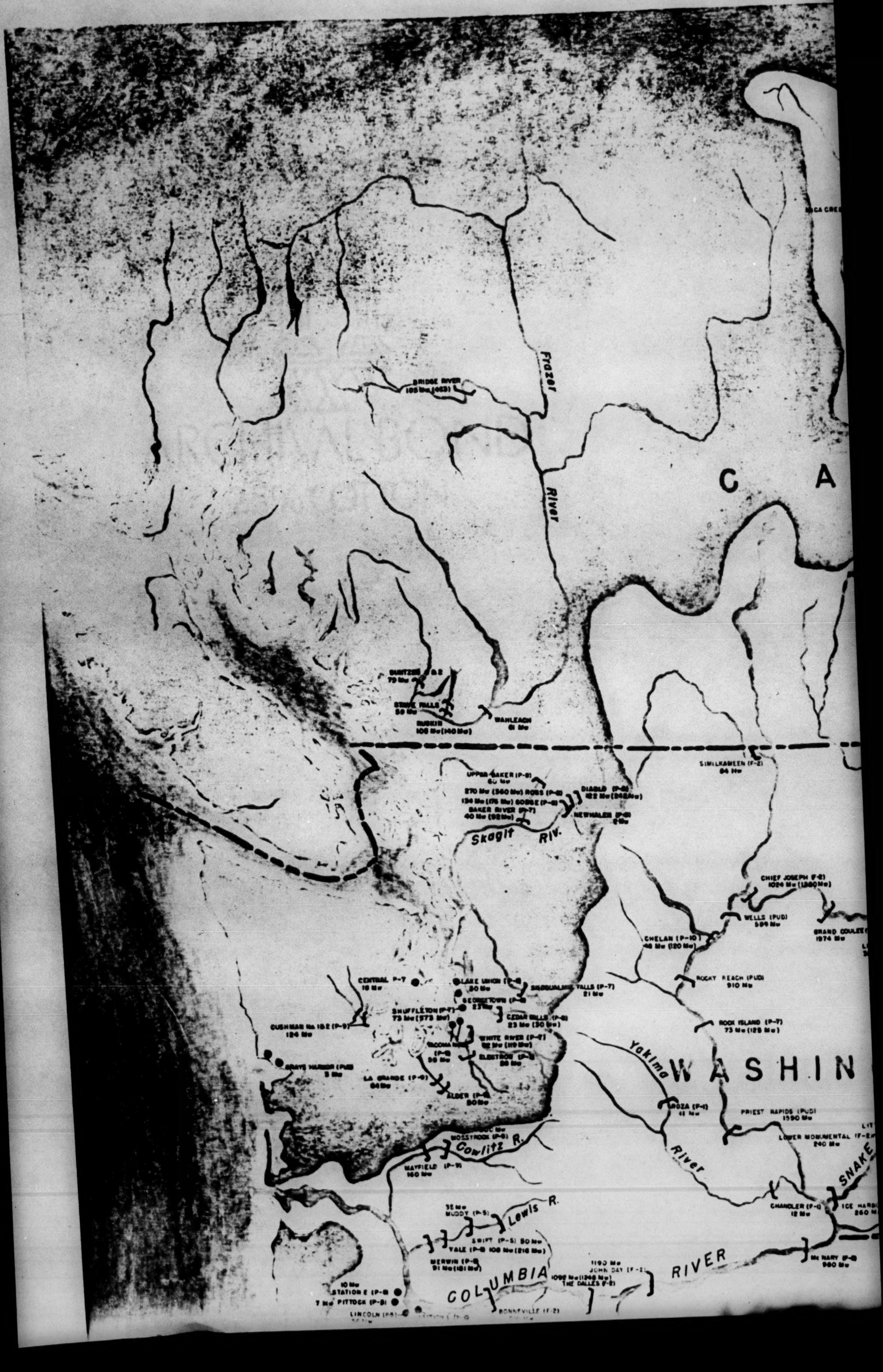
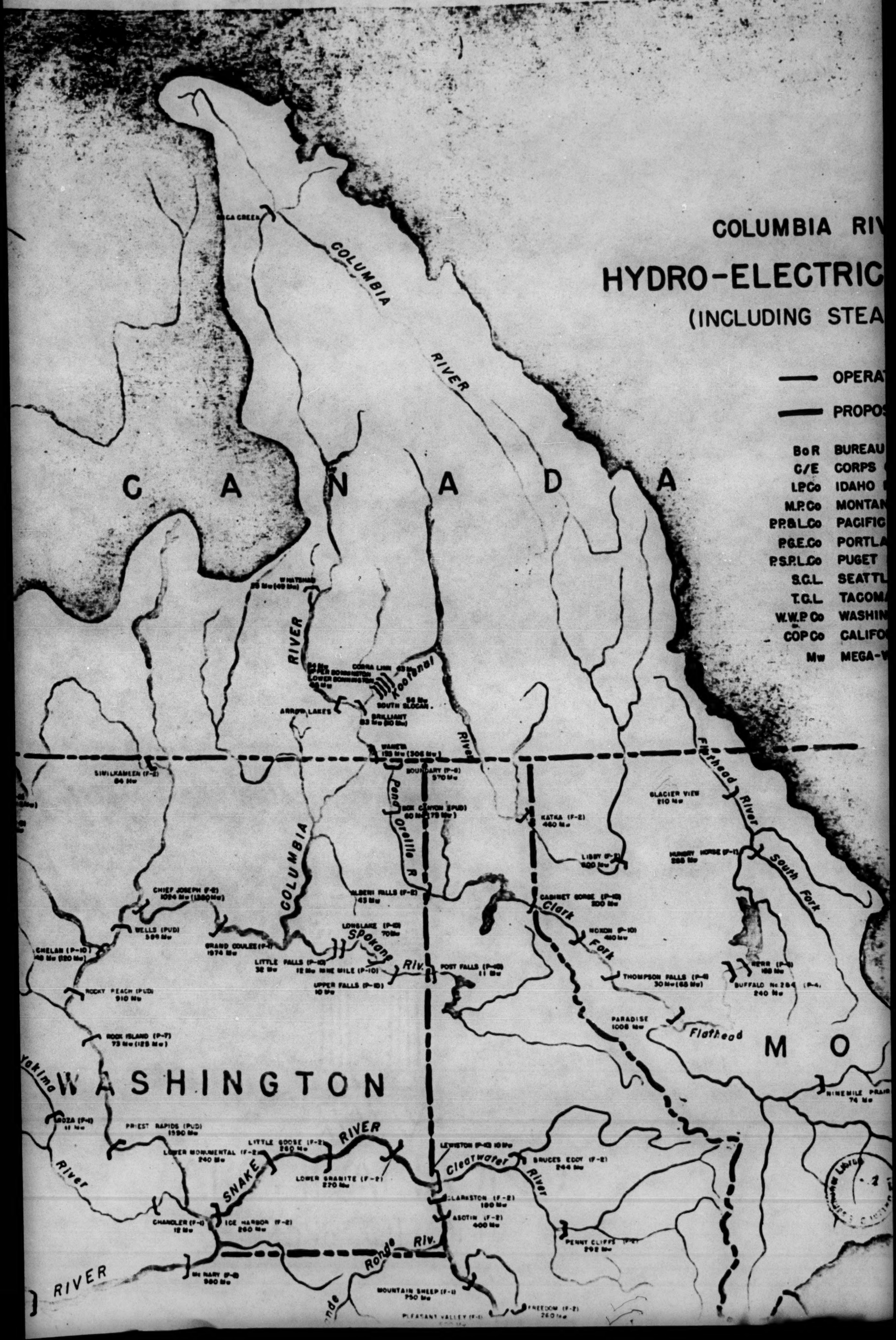
GREAT LAKES ST. LAWRENCE
NEW ENGLAND
MIDDLE ATLANTIC
OHIO BASIN
SAS-WHITE-RED
TENNESSEE VALLEY
LOWER MISSISSIPPI
GULF AND SOUTH ATLANTIC
AND GULF

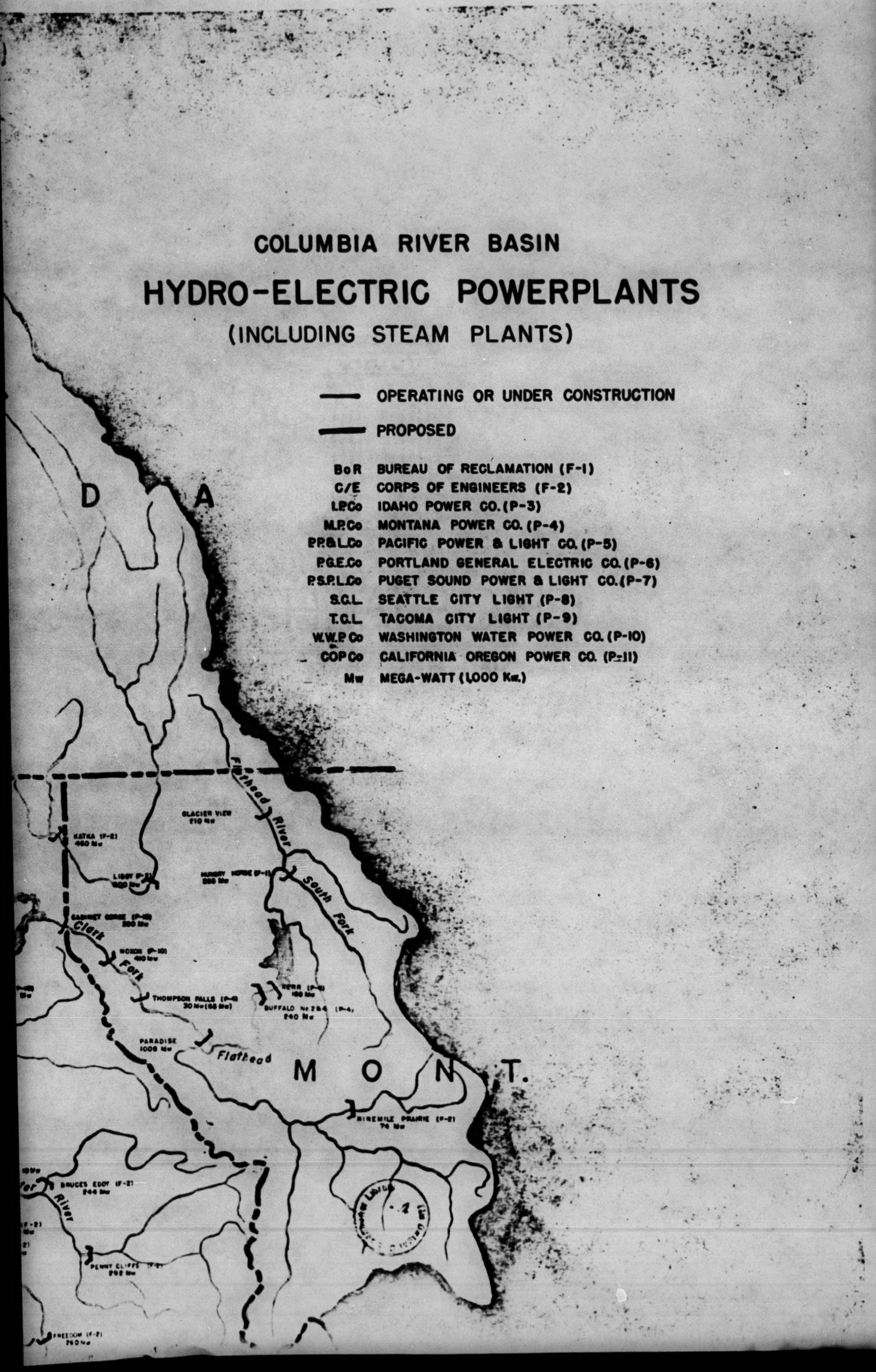
NOVEMBER 1955


MAJOR DRAIN
SOURIS AND
NORTH PACIFIC
COLUMBIA BASIN
MISSOURI BASIN
CENTRAL AND SOUTH PACIFIC
CENTRAL VALLEY
GREAT BASIN
COLORADO BASIN
ARKANSAS-WHITE
RIO GRANDE AND GU

ARCHIVAL BOND
25% COTTON


MICA CREE
C A
Frazer River
BRIDGE RIVER
105 Mw (463)
BUNTZEN 1 & 2
79 Mw
STAVE FALLS
50 Mw
RUSKIN
105 Mw (140 Mw)
WAHLEACH
61 Mw
SIMILKAMEEN (F-2)
64 Mw
UPPER BAKER (P-8)
60 Mw
270 Mw (360 Mw) ROSS (P-8)
134 Mw (175 Mw) GORGE (P-8)
BAKER RIVER (P-7)
40 Mw (92 Mw)
DIABLO (P-8)
122 Mw (242 Mw)
NEWHALEM (P-8)
Skagit Riv.
CHIEF JOSEPH (F-2)
1024 Mw (1360 Mw)
WELLS (PUD)
599 Mw
GRAND COULEE
1974 Mw
CHELAN (P-10)
48 Mw (120 Mw)
ROCKY REACH (PUD)
910 Mw
CENTRAL P-7
18 Mw
LAKE UNION (P-8)
30 Mw
SNOQUALMIE FALLS (P-7)
21 Mw
GEORGETOWN (P-8)
23 Mw
SHUFFLETON (P-7)
73 Mw (573 Mw)
CEDAR FALLS (P-8)
23 Mw (30 Mw)
CUSHMAN No 1 & 2 (P-9)
124 Mw
WHITE RIVER (P-7)
62 Mw (119 Mw)
TACOMA NARR
(P-9)
59 Mw
ELECTRON (P-9)
20 Mw
ROCK ISLAND (P-7)
73 Mw (128 Mw)
GRAYS HARBOR (PUD)
3 Mw
LA GRANDE (P-9)
64 Mw
ALDER (P-9)
50 Mw
Yakima River
WASHIN
ROZA (P-1)
11 Mw
PRIEST RAPIDS (PUD)
1590 Mw
LOWER MONUMENTAL (F-2)
240 Mw
MOSSYROCK (P-9)
Cowlitz R.
MAYFIELD (P-9)
160 Mw
SNAKE
CHANDLER (P-1)
12 Mw
ICE HARBO
260 M
35 Mw
MUDDY (P-5)
Lewis R.
SWIFT (P-5) 80 Mw
YALE (P-9) 108 Mw (216 Mw)
MERWIN (P-9)
91 Mw (181 Mw)
1190 Mw
JOHN DAY (F-2)
1092 Mw (1248 Mw)
THE DALLES (F-2)
RIVER
COLUMBIA
Mc NARY (F-2)
980 Mw
10 Mw
STATION E (P-8)
7 Mw PITTOCK (P-8)
LINCOLN (P-8)
BONNEVILLE (F-2)


COLUMBIA RIV
HYDRO-ELECTRIC
(INCLUDING STEA
OPERAT
PROPOS
BoR BUREAU
C/E CORPS
I.P.Co IDAHO
M.P.Co MONTAN
P.P.&L.Co PACIFIC
P.G.E.Co PORTLA
P.S.P.L.Co PUGET
S.C.L. SEATTL
T.C.L. TACOMA
W.W.P.Co WASHIN
COP.Co CALIFO
Mw MEGA-W
CANADA
WASHINGTON
MO
COLUMBIA RIVER
RIVER
COLUMBIA
Kootenai
River
Pend Oreille R
Spokane Riv.
Clark Fork
Flathead River
South Fork
Flathead
Yakima River
SNAKE RIVER
Clearwater River
Ronde Riv.
RIVER
ARROW LAKES
WHATSHAN
25 Mw (49 Mw)
54 Mw
UPPER BONNINGTON
LOWER BONNINGTON
46 Mw
CORRA LINN 43 Mw
56 Mw
SOUTH SLOCAN
BRILLIANT
83 Mw (90 Mw)
WANETA
133 Mw (306 Mw)
BOUNDARY (P-6)
570 Mw
BOX CANYON (PUD)
60 Mw (79 Mw)
SIMILKAMEEN (F-2)
64 Mw
KATKA (F-2)
460 Mw
GLACIER VIEW
210 Mw
LIBBY (F-2)
800 Mw
HUNGRY HORSE (F-1)
285 Mw
ALBENI FALLS (F-2)
43 Mw
CABINET GORGE (P-10)
200 Mw
NOXON (P-10)
480 Mw
CHIEF JOSEPH (F-2)
1024 Mw (1380 Mw)
WELLS (PUD)
599 Mw
GRAND COULEE (F-1)
1974 Mw
LONG LAKE (P-10)
70 Mw
LITTLE FALLS (P-10)
32 Mw
12 Mw NINE MILE (P-10)
UPPER FALLS (P-10)
10 Mw
POST FALLS (P-10)
11 Mw
CHELAN (P-10)
48 Mw (120 Mw)
ROCKY REACH (PUD)
910 Mw
ROCK ISLAND (P-7)
73 Mw (125 Mw)
THOMPSON FALLS (P-4)
30 Mw (65 Mw)
KERR (P-4)
168 Mw
BUFFALO No. 2 & 4 (P-4)
240 Mw
PARADISE
1006 Mw
NINEMILE PRAIR
74 Mw
ROZA (F-1)
11 Mw
PRIEST RAPIDS (PUD)
1590 Mw
LITTLE GOOSE (F-2)
260 Mw
LOWER MONUMENTAL (F-2)
240 Mw
LOWER GRANITE (F-2)
270 Mw
LEWISTON (P-10) 10 Mw
BRUCES EDDY (F-2)
244 Mw
CLARKSTON (F-2)
100 Mw
ASOTIN (F-2)
400 Mw
CHANDLER (F-1)
12 Mw
ICE HARBOR (F-2)
260 Mw
PENNY CLIFFS (F-2)
292 Mw
McNARY (F-2)
980 Mw
MOUNTAIN SHEEP (F-1)
750 Mw
FREEDOM (F-2)
260 Mw
PLEASANT VALLEY (F-1)



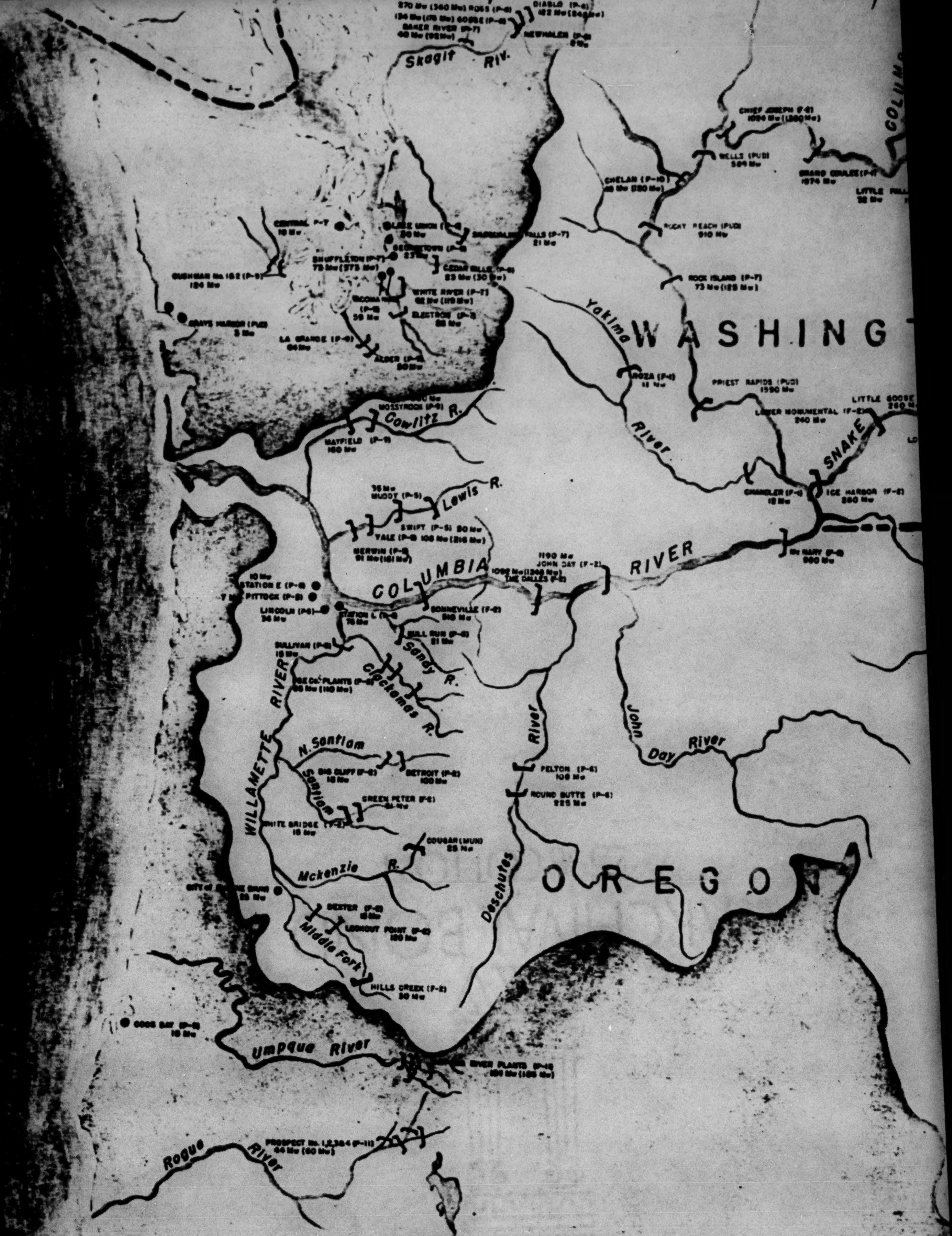
COLUMBIA RIVER BASIN

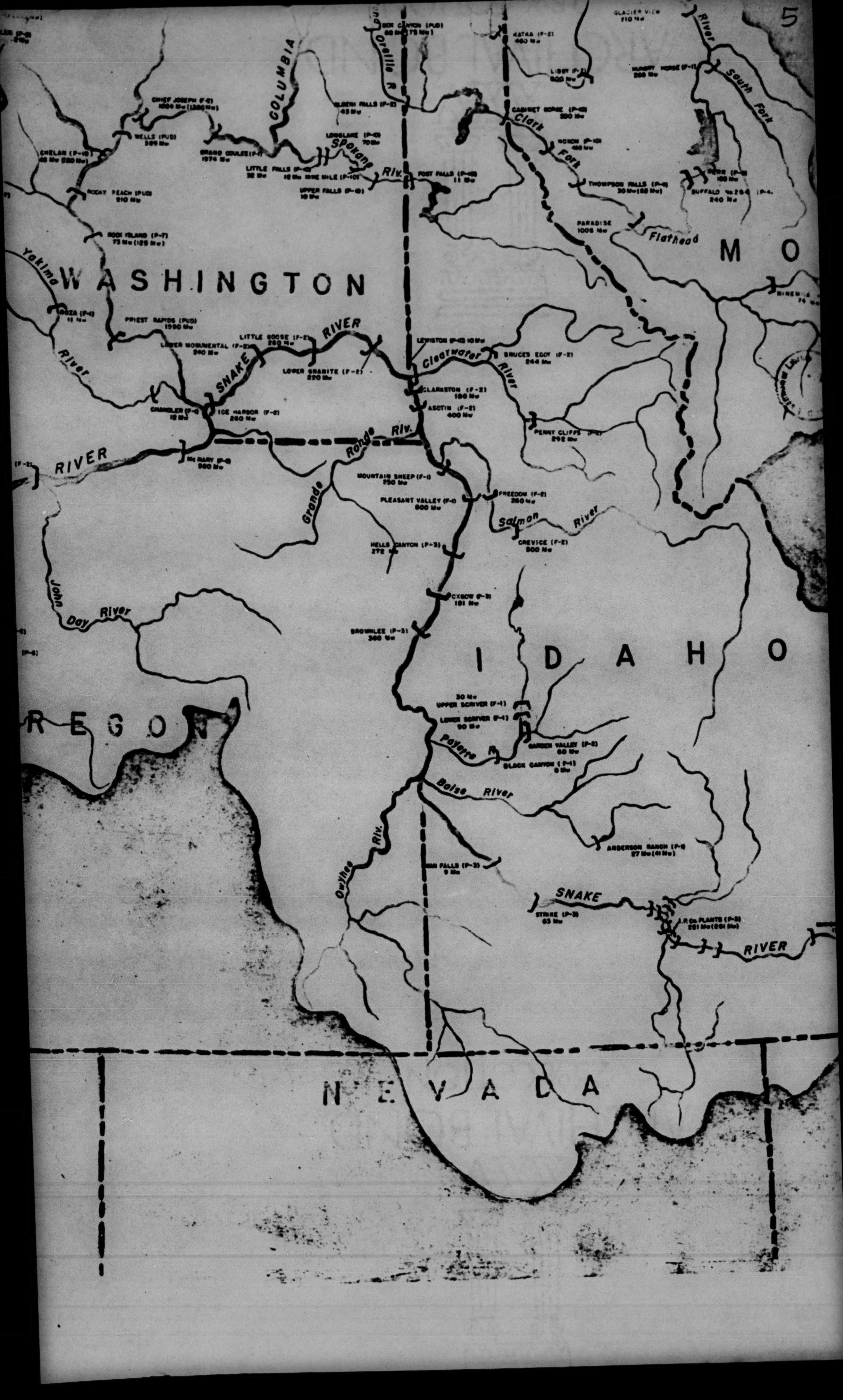
HYDRO-ELECTRIC POWERPLANTS

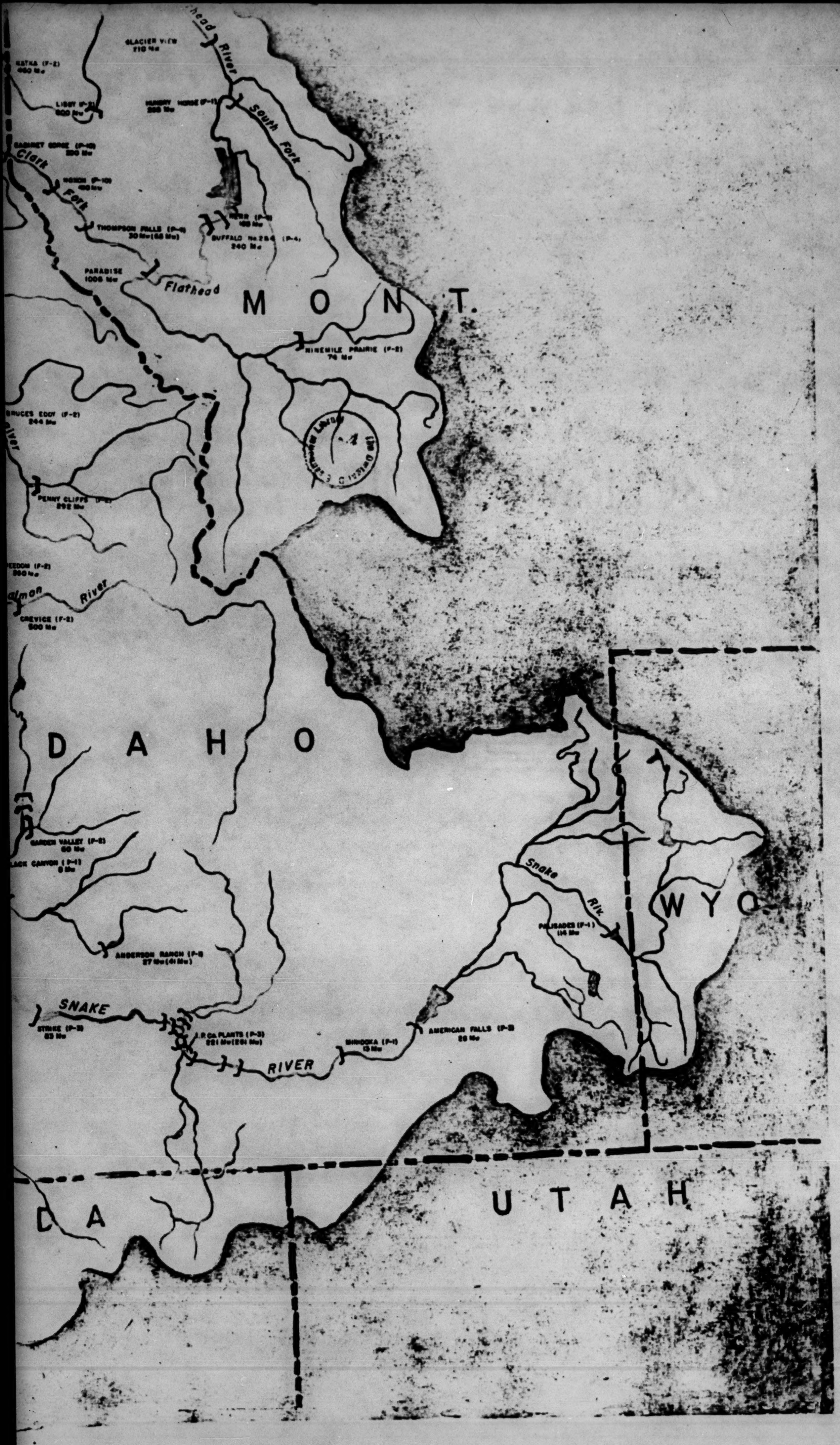
(INCLUDING STEAM PLANTS)

—	OPERATING OR UNDER CONSTRUCTION
▬	PROPOSED
BoR	BUREAU OF RECLAMATION (F-1)
C/E	CORPS OF ENGINEERS (F-2)
I.P.Co	IDAHO POWER CO. (P-3)
M.P.Co	MONTANA POWER CO. (P-4)
P.P.&L.Co	PACIFIC POWER & LIGHT CO. (P-5)
P.G.E.Co	PORTLAND GENERAL ELECTRIC CO. (P-6)
P.S.P.L.Co	PUGET SOUND POWER & LIGHT CO. (P-7)
S.C.L.	SEATTLE CITY LIGHT (P-8)
T.C.L.	TACOMA CITY LIGHT (P-9)
W.W.P.Co	WASHINGTON WATER POWER CO. (P-10)
COP.Co	CALIFORNIA OREGON POWER CO. (P-11)
Mw	MEGA-WATT (1,000 Kw.)

D
A
Flathead River
South Fork
GLACIER VIEW
210 Mw
KATKA (F-2)
460 Mw
LIBBY (F-2)
600 Mw
HUNGRY HORSE (F-1)
288 Mw
CABINET GORGE (P-10)
200 Mw
Clark Fork
NOXON (P-10)
410 Mw
THOMPSON FALLS (P-4)
30 Mw (68 Mw)
KERR (P-5)
168 Mw
BUFFALO No 2&4 (P-4)
240 Mw
PARADISE
1008 Mw
Flathead
M O N T.
NINEMILE PRAIRIE (F-2)
74 Mw
BRUCES EDDY (F-2)
244 Mw
River
PENNY CLIFFS (F-2)
292 Mw
FREEDOM (F-2)
260 Mw


6 Mw
270 Mw (360 Mw) ROSS (P-8)
134 Mw (170 Mw) GORGE (P-8)
BAKER RIVER (P-7)
40 Mw (92 Mw)
DIABLO (P-8)
122 Mw (246 Mw)
NEWHALEM (P-8)
2 Mw
Skagit Riv.
CENTRAL P-7
10 Mw
LAKE UNION (P-8)
30 Mw
GEORGETOWN (P-8)
23 Mw
SNOQUALMIE FALLS (P-7)
21 Mw
SHUFFLETON (P-7)
73 Mw (273 Mw)
CEDAR FALLS (P-8)
23 Mw (30 Mw)
CUSHMAN No. 1&2 (P-9)
124 Mw
WHITE RIVER (P-7)
62 Mw (119 Mw)
TACOMA
(P-9)
59 Mw
ELECTRON (P-7)
22 Mw
GRAYS HARBOR (PUD)
3 Mw
LA GRANDE (P-9)
64 Mw
ALDER (P-9)
50 Mw
CHIEF JOSEPH (F-21)
1024 Mw (1280 Mw)
WELLS (PUD)
564 Mw
GRAND COULEE (F-1)
1974 Mw
LITTLE FALLS
32 Mw
CHELAN (P-10)
48 Mw (120 Mw)
ROCKY REACH (PUD)
910 Mw
ROCK ISLAND (P-7)
73 Mw (125 Mw)
Yakima
WASHING
ROZA (F-1)
11 Mw
PRIEST RAPIDS (PUD)
1590 Mw
LITTLE GOOSE
260 Mw
LOWER MONUMENTAL (F-2)
240 Mw
Mw
MOSSYROCK (P-9)
Cowlitz R.
MAYFIELD (P-9)
160 Mw
River
SNAKE
CHANDLER (F-1)
12 Mw
ICE HARBOR (F-2)
260 Mw
36 Mw
MUDDY (P-5)
Lewis R.
SWIFT (P-5) 80 Mw
YALE (P-9) 108 Mw (216 Mw)
MERWIN (P-9)
91 Mw (181 Mw)
1190 Mw
JOHN DAY (F-2)
1092 Mw (1248 Mw)
THE DALLES (F-2)
RIVER
McNARY (F-2)
980 Mw
10 Mw
STATION E (P-6)
7 Mw PITTOCK (P-6)
COLUMBIA
LINCOLN (P-6)
36 Mw
STATION L (P-6)
75 Mw
BONNEVILLE (F-2)
518 Mw
BULL RUN (P-6)
21 Mw
SULLIVAN (P-6)
15 Mw
Sandy R.
PGE Co. PLANTS (P-6)
85 Mw (110 Mw)
Clackamas R.
RIVER
WILLAMETTE
John Day River
N. Santiam
BIG CLIFF (F-2)
18 Mw
DETROIT (F-2)
100 Mw
River
PELTON (P-6)
108 Mw
ROUND BUTTE (P-6)
225 Mw
Santiam
GREEN PETER (F-2)
80 Mw
WHITE BRIDGE (F-2)
18 Mw
COUGAR (MUN)
25 Mw
Mckenzie R.
OREGON
Deschutes
CITY of EUGENE (MUN)
25 Mw
DEXTER (F-2)
15 Mw
LOOKOUT POINT (F-2)
120 Mw
Middle Fork
HILLS CREEK (F-2)
30 Mw
COOS BAY (P-9)
15 Mw
Umpqua River
RIVER PLANTS (P-11)
124 Mw (186 Mw)
PROSPECT No. 1,2,3&4 (P-11)
64 Mw (60 Mw)
Rogue River
KLAMATH RIVER PLANTS (P-11) 236 Mw
KLAMATH RIVER PLANTS (P-11)
54 Mw (204 Mw)
River
Klamath
CALIF.


BOX CANYON (PUD)
60 Mw (75 Mw)
Pend Oreille R
KATKA (F-2)
460 Mw
GLACIER VIEW
210 Mw
River
LIBBY (F-2)
800 Mw
HUNGRY HORSE (F-1)
285 Mw
South Fork
COLUMBIA
CHIEF JOSEPH (F-2)
1024 Mw (1280 Mw)
ALBENI FALLS (F-2)
43 Mw
CABINET GORGE (P-10)
200 Mw
Clark
Fork
WELLS (PUD)
389 Mw
CHELAN (P-10)
48 Mw (120 Mw)
GRAND COULEE (F-1)
1974 Mw
LONGLAKE (P-10)
70 Mw
Spokane
LITTLE FALLS (P-10)
32 Mw
12 Mw NINE MILE (P-10)
Riv.
POST FALLS (P-10)
11 Mw
UPPER FALLS (P-10)
10 Mw
NOXON (P-10)
480 Mw
THOMPSON FALLS (P-4)
30 Mw (66 Mw)
KERR (P-9)
168 Mw
BUFFALO No 2 & 4 (P-4)
240 Mw
ROCKY REACH (PUD)
910 Mw
ROCK ISLAND (P-7)
73 Mw (129 Mw)
PARADISE
1006 Mw
Flathead
M O
Yakima
WASHINGTON
NINEMILE
74 Mw
ROZA (P-1)
11 Mw
PRIEST RAPIDS (PUD)
1590 Mw
LITTLE GOOSE (F-2)
260 Mw
RIVER
LEWISTON (P-10) 10 Mw
LOWER MONUMENTAL (F-2)
240 Mw
Clearwater
BRUCES EDDY (F-2)
244 Mw
LOWER GRANITE (F-2)
220 Mw
River
SNAKE
River
CLARKSTON (F-2)
180 Mw
ASOTIN (F-2)
400 Mw
CHANDLER (F-1)
12 Mw
ICE HARBOR (F-2)
260 Mw
Ronde
Riv.
PENNY CLIFFS (F-2)
292 Mw
(F-2)
RIVER
McNARY (F-2)
980 Mw
MOUNTAIN SHEEP (F-1)
250 Mw
PLEASANT VALLEY (F-1)
600 Mw
FREEDOM (F-2)
260 Mw
Grande
Salmon
River
CREVICE (F-2)
500 Mw
HELLS CANYON (P-3)
272 Mw
OXBOW (P-3)
181 Mw
John
Day
River
BROWNLEE (P-3)
360 Mw
I D A H O
30 Mw
UPPER SCRIVER (F-1)
LOWER SCRIVER (F-1)
90 Mw
REGON
Payette
R
GARDEN VALLEY (F-2)
60 Mw
BLACK CANYON (F-1)
8 Mw
Boise
River
ANDERSON RANCH (F-1)
27 Mw (41 Mw)
Riv.
SWAN FALLS (P-3)
9 Mw
Owyhee
SNAKE
STRIKE (P-3)
83 Mw
I.P. Co. PLANTS (P-3)
221 Mw (261 Mw)
RIVER
NEVADA


head River
GLACIER VIEW 210 Mw
KATKA (F-2) 460 Mw
LIBBY (F-2) 800 Mw
HUNGRY HORSE (F-1) 285 Mw
South Fork
CABINET GORGE (F-10) 200 Mw
Clark Fork
NOXON (F-10) 400 Mw
THOMPSON FALLS (F-9) 30 Mw (65 Mw)
KERR (F-5) 168 Mw
BUFFALO No.2&4 (F-4) 240 Mw
PARADISE 1006 Mw
Flathead
MONT.
NINEMILE PRAIRIE (F-2) 74 Mw
BRUCES EDDY (F-2) 244 Mw
River
PENNY CLIFFS (F-2) 292 Mw
EEDOM (F-2) 250 Mw
almon River
CREVICE (F-2) 500 Mw
DAHO
GARDEN VALLEY (F-2) 60 Mw
LACK CANYON (F-1) 8 Mw
ANDERSON RANCH (F-8) 27 Mw (41 Mw)
SNAKE
STRIKE (F-3) 83 Mw
I.P.Co. PLANTS (F-3) 221 Mw (261 Mw)
RIVER
MINIDOKA (F-1) 13 Mw
AMERICAN FALLS (F-3) 26 Mw
Snake Riv.
PALISADES (F-1) 114 Mw
WYO
UTAH
DA

CP - 28/3

January 17, 1956

The White House

Washington

THE CABINET

Final Report of the Presidential Advisory Committee on Water Resources Policy

The attached final paper is circulated for the information of the Cabinet and for action by those Departments concerned.

This Report has been revised as requested at the Cabinet Meeting of November 22, 1955 (RA - 38, Item 2), and as revised, has been transmitted by the President to the Congress with the President's commendation of its fundamental purposes and objectives and with his earnest recommendation that the Congress give prompt attention to its proposals.

The Report is attached in the form in which it is being made public at noon today, including the President's Transmittal Letter. (The text of the Report will no longer be privileged after the release hour.)

The Presidential Advisory Committee on Water Resources Policy, assisted by Gen. Bragdon and Gov. Jordan, will continue to work on the next steps in implementation of the Report, as indicated in Cabinet RA - 38, Item 2-c-1.

Maxwell M. Rabb
Secretary to the Cabinet

WATER RESOURCES POLICY

CAUTION: For release at 12 noon (E. S. T.) January 17, 1956

The following message of the President scheduled for delivery to the Congress today, January 17, 1956, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis, or intimation may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspaper, radio, and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

JAMES C. HAGERTY,
Press Secretary to the President.

DECEMBER 22, 1955

WATER RESOURCES POLICY

A REPORT

by

THE PRESIDENTIAL ADVISORY COMMITTEE

on

WATER RESOURCES POLICY

DECEMBER 22, 1955

JANUARY 17, 1956.

SIRS: I herewith transmit for the consideration of the Congress the report of the Advisory Committee on Water Resources Policy, consisting of the Secretary of Agriculture, the Secretary of Defense, and the Secretary of the Interior. The report is the result of a detailed study of our water problems and of the present powers and activities of the various Federal establishments engaged in water resource development. The Department of Commerce, the Department of Health, Education, and Welfare, the Bureau of the Budget, and other agencies including the Department of Justice participated in its preparation.

The policies set out in the report embody a framework within which the Federal Government, with State and local governments and other non-Federal interests, may cooperate to develop our water resources. These policies will reconcile many practices among Federal agencies that are now in conflict.

A planning organization along the lines proposed in the report will provide a continuing mechanism for settling unresolved problems that are not specifically covered in it or that may arise in the future. The report recognizes fully the responsiblities of the Federal Government for leadership, guidance, and action in this field. At the same time, it recognizes that there are a multitude of water developments which are more appropriate for regional, State, or local activity.

The report points out that the principles which recognize water rights as property rights should be accepted, and that determinations as to disposition of water should recognize such rights. It recommends that a study be made under the leadership of the Federal Government in collaboration with the States and local entities with reference to property rights to water and the social and economic development of the Nation and the area.

Set forth in the report is a pattern for the widest possible public participation in water resources projects. Organizational changes are recommended to coordinate more closely Federal and non-Federal activity and to make possible more effective Executive guidance. The intent of these proposed changes is to provide the States and local water resources agencies a more adequate voice in the planning and development of projects and facilitate joint participation by all of the affected Federal interests. By this type of cooperative effort we should be assured that all possible uses of water are adequately considered.

The policies we adopt for the development of our water resources will have a profound effect in the years to come upon our domestic, agricultural, and industrial economy. I commend the fundamental purposes and objectives of this report, and I earnestly recommend that the Congress give prompt attention to its proposals.

Sincerely,

Dwight D. Eisenhower

The President of the Senate.
The Speaker of the House of Representatives.

THE WHITE HOUSE
WASHINGTON

May 26, 1954.

Dear Mr. Secretary: The conservation and use which we make of the water resources of our Nation may in large measure determine our future progress and the standards of living of our citizens. If we are to continue to advance agriculturally and industrially we must make the best use of every drop of water which falls on our soil, or which can be extracted from the oceans. It is my desire that this administration furnish effective and resourceful leadership in establishing national policies and improving the administrative organization needed to conserve and best utilize the full potential of our water resources.

During the more than a century in which the Federal Government has played a vital part in the harnessing and development of water resources, our policies have been modified repeatedly to reflect changing needs and priorities. Unfortunately, we have often relied on piecemeal or stopgap measures. In other instances the policies covering different Federal agencies concerned with similar water resources have been inconsistent. Accordingly, it is both fitting and necessary for us to undertake a comprehensive review looking toward modernization of Federal policies and programs in the field of water resources. We must do this with a full realization that the States, communities, and private citizens are vitally concerned with the policies and actions of the Federal Government.

To meet the needs to which I have referred above, I am establishing a Cabinet Committee on Water Resources Policy.* The Committee shall undertake an extensive review of all aspects of water resources policy. Its recommendations for the strengthening, clarification, and modernization of water policies, together with a suggested approach to the solution of organizational problems involved, are to be submitted to me not later than December 1, 1954.

I am designating you the Chairman of the Cabinet Committee on Water Resources Policy. The Secretary of Defense and the Secretary of Agriculture will serve with you on the Committee as full members, and I am so notifying them by copies of this letter. The Secretary of Commerce, the Secretary of Health, Education, and

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*Subsequently redesignated Presidential Advisory Committee on Water Resources Policy.

Welfare, and the Director of the Bureau of the Budget will participate on an ad hoc basis. My Advisory Committee on Government Organization will be glad to cooperate wherever possible.

The Commission on Organization of the Executive Branch of the Government, under the Chairmanship of former President Hoover, is undertaking a comprehensive study of water and power policies and organization. The Cabinet Committee should be prepared to assist in the executive branch consideration and review of the Hoover Commission recommendations.

Several departments and agencies are presently charged with responsibilities directly affecting the conservation and use of water and each such agency is capable of making an important contribution to the reexamination and revision of water resources policy. By means of another letter, I am also approving the establishment of an Inter-Agency Committee on Water Resources as provided in an interagency agreement proposed through the initiative of your Department. The Inter-Agency Committee on Water Resources will provide a facility for improving the coordination of existing policies, programs, and activities of the participating departments and agencies concerned with water and land resources investigation, planning, construction, operation, and maintenance. I shall expect the Inter-Agency Committee to assist the Cabinet Committee in every way possible in order to insure that the Cabinet Committee has the opportunity to utilize fully the skills and experience of the executive agencies.

Sincerely,

Dwight D. Eisenhower

The Honorable Douglas McKay,
Secretary of the Interior,
Washington, D.C.

UNITED STATES
WASHINGTON 25, D. C.

December 22, 1955.

My Dear Mr. President: We have the honor to submit herewith a report entitled, "Water Resources Policy." This report has been prepared by the Presidential Advisory Committee on Water Resources Policy pursuant to your letter of May 26, 1954, to the Chairman.

Many of the issues with which this report deals are highly controversial. They have been debated by the Congress and the public for many years. Establishing a program looking to the best interests of the Nation as a whole, which gives recognition to the legitimate interests of the States and the people directly affected by water development, means that we cannot blindly follow the patterns and traditions of the past.

The programs of the various Federal agencies, which differ widely, have their enthusiastic supporters and their severe critics. Inevitably, therefore, these constructive proposals will not immediately be acceptable to all persons and organizations concerned with water resources. We firmly believe, however, that the recommendations made in this report, which endeavor to bring to a uniform basis the activities of the various Federal departments, avoid the undue intrusion of the Federal Government into this field, and give proper recognition to the responsibilities of all levels of our Government, are fair and equitable and will be in the best interests of the Nation.

The Committee will be pleased to undertake any further assignments which you may wish to make.

Respectfully submitted.

Ezra Taft Benson
Secretary of Agriculture.

C. E. Wilson
Secretary of Defense.

Douglas McKay
Secretary of the Interior, Chairman.

The President,
The White House.

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SUMMARY AND MAJOR RECOMMENDATIONS

A sound water policy must look toward an adequate supply of water for our people, prevent waste, reduce water pollution to its lowest practicable level, provide means for the best and most effective distribution of water, improve navigation, and take steps to check the destructive forces of water which destroy land, property, and life. There are many different problems in different areas. It is neither practicable nor desirable to have only Federal responsibility. There is no single "national" water problem.

It is recommended:

1. *Basic data.*—That the present program of basic data collection (such as rainfall, stream flows, and hydrology) be accelerated, and be programed and carried out on a more consistent and definite basis (sec. 1).

2. *Planning.*—That planning for water resources and related developments be conducted on a cooperative basis with representatives of all Federal, State, and local agencies involved; and that this joint participation be continuous from the beginning in order that plans and projects developed assure the best and most effective use and control of water to meet both the current and long-range needs of the people of a region, State, or locality, and of the Nation as a whole (sec. 2).

3. *Organization.*—That an organization plan be adopted substantially as follows (secs. 2 and 3):

(*a*) The position of Coordinator of Water Resources be established to provide Presidential direction to agency coordination and to establish principles, standards, and procedures for planning and development of water resources projects.

(*b*) An independent Board of Review be created to analyze the engineering and economic feasibility of projects and report to the President through the Coordinator.

(*c*) Regional or river basin water resources committees be formed with a permanent nonvoting chairman appointed by the President and with membership composed of representatives of all Federal departments and States involved.

(*d*) A permanent Federal Inter-Agency Committee, advisory in character, on Water Resources be established under the Chairmanship of the Coordinator composed of principal policymaking officials of the agencies concerned.

4. *Water rights.*—(*a*) That the principles which recognize water rights as property rights be accepted. That determinations as to disposition of water recognize such rights.

(*b*) That a study be made by the Federal Government in collaboration with State and local entities to determine the relationships between property rights to water and the social and economic development of the Nation and the area, and of the principles and criteria which should be incorporated into Federal, State, and local laws regarding rights to the appropriation and use of water that would assure its best and most effective use and at the same time encourage maximum participation by all parties concerned.

(*c*) That States enact legislation regarding the ownership and right, purpose and place of use of underground water.

(*d*) That formation of interstate compacts where appropriate be encouraged (sec. 4).

5. *Priority of use of water.*—That no system of relative priorities for use of water should be applied uniformly to the entire country (sec. 5).

6. *Evaluation.*—That evaluations of water projects by all agencies be on a uniform basis, requiring balanced consideration of all benefits and costs which can reasonably be measured in dollars, as well as consideration of other values not readily expressed in monetary terms (sec. 6).

7. *Authorization.*—That each major water resources project be separately authorized by the Congress (sec. 7).

8. *Cost sharing.*—(*a*) That, as a general policy, all interests participate in the cost of water resources development projects in accordance with the measure of their benefits; that the Federal Government assume the cost of that part of projects where benefits are national and widespread and beneficiaries are not readily identifiable; that power and municipal and industrial water users pay the full cost of development; that where projects are primarily local, and the beneficiaries are clearly identifiable, the Federal Government's contribution should be limited, with non-Federal interests bearing a substantial portion of the construction costs of the project as well as the replacement, maintenance, and operation costs; and that under certain conditions the Federal Government may bear a higher proportion of the costs (sec. 8).

(*b*) That the Federal Government encourage non-Federal assumption of responsibility for construction of water resources projects by such means as the payment of costs which would have been nonreimbursable had the projects been federally constructed, and the making or guaranteeing of loans to non-Federal interests for certain purposes under proper safeguards (sec. 8).

Report to the President by the Presidential Advisory Committee on Water Resources Policy

The Dwight D E[illegible] Library

OUTLINE OF PROBLEM

Water is more than a natural resource—it is a necessity of life. Here in the United States, blessed with a continent of virgin soil, we lived more than 200 years before the water problem became generally acute. But the uses we make of water in modern society are so tremendous that they stagger the imagination. The coming of our industrial era, the raising of our living standards, and the increased application of water to land have now highlighted the problems until in much of the Nation there is a grave and increasing concern over water resources.

Shortages of water for domestic and agricultural use are frequent. Industry is finding it increasingly difficult to locate adequate water supplies. Many streams and rivers are seriously polluted. Concurrently, tremendous losses in water are being experienced through wasteful practices and failure properly to conserve available supplies. Lack of adequate planning threatens to impose a water scarcity which can become a limiting factor on the growth of some of our cities, while at the same time flood damage in many areas continues to be great.

The basic elements of a sound policy relating to water are clear. That policy must look toward an adequate water supply for our people, prevent waste of water, provide for a greater reuse of water, reduce water pollution to the lowest practicable level, provide means for the useful and equitable distribution of available water supply, and take steps to check the destructive forces of water which threaten to injure or destroy land, property, and human life.

There have been wide differences of opinion as to the best methods to meet these problems. It is a good omen that these differences are so generally discussed.

All areas of government have evinced wide interest in these problems. Municipalities, States, and their public agencies, as well as the Federal Government, should take steps to alleviate their particular hazard or anticipate their needs.

Because these problems are nationwide, it is appropriate that the Federal Government take cognizance of them and provide leadership for solving them by establishing sound nationwide policies, as well as provide standards for its own participation in the development of economically sound water projects. It is also appropriate that this be done in cooperation with the States and other locally interested parties.

There have been many previous investigations and reports in this field of water resources development. The Committee has not deemed it necessary or within its province to restate in detail the numerous compilations that have been made in the past by various agencies of the Congress and of the executive department. The Committee conceives its responsibility to be primarily that of recommending policies and methods of their implementation.

A survey of the activities of the various Federal establishments, of the history of their operations, and of the legal powers with which they have been invested leads to several general conclusions which should be clearly understood in connection with the determination of national policy:

1. The greatest single weakness in the Federal Government's activities in the field of water resources development is the lack of cooperation and coordination of the Federal agencies with each other and with the States and local interests. This has been occasioned by the fact that the Federal interest in water resources development has been expressed in different laws empowering different agencies to pursue particular programs for different purposes. There has been inadequate coordination of the program of one agency with that of another, and inadequate consultation with and consideration of the interests of the States, local communities, and individuals most vitally affected.

2. There is no single uniform policy, no magic formula relating to water resources which can be applied to all parts of the country at all times and in all places. The problems involve particular needs and uses of water which vary from State to State and region to region. In one place the problem may be flood control; in another navigation; in another inadequate domestic supplies; in another inadequate agricultural supplies; and in still another stream pollution. Frequently water needs and uses are in conflict with each other. The changing pattern of the economy of the regions, and shifts and growth of population, require flexibility in policy, so that the plans may be adjusted to the realities of the economic requirements of an area.

3. It is not practicable, and certainly not desirable, for the Federal Government alone to assume responsibility for the complete development of the Nation's water resources. This reasoning stems not only from the practical impossibility of assuming the financial burdens which such a policy would require, but also from the fact that such complete Federal assumption of responsibility would tend to create local and regional dependence upon Federal action, to destroy individual and local initiative, to destroy the effectiveness of the government of the States, and to work a profound and undesirable change in our traditional plan of government. Lack of funds and regional rivalries have delayed for years many meritorious projects in the expectation of Federal action which has not been forthcoming. Such a pattern may be expected in the future if complete reliance is placed upon Federal action. In some instances also there have been serious delays in badly needed projects because Federal agencies were reluctant to agree with local efforts to proceed.

4. It is believed that the principle of equal contribution for equal benefits received should be applied to the beneficiaries of all Federal water resources developments, although it is recognized that historically the programs of the Federal agencies have differed widely as to the contribution required from the beneficiaries of such projects.

5. There has not been adequate consideration given to the proper respective relationships and responsibilities between the Federal Government and the States and private individuals with reference to water resources rights. It is believed that the principles which recognize water rights as property rights should be accepted. Determinations as to disposition of water should recognize such rights. A study should be made by the Federal Government in cooperation with State and local bodies to develop principles concerning water rights that would assure the most effective use of water to best meet the needs of the people—national, regional, State, and local.

6. The Committee endorses the established policy of primary State responsibility for controlling water pollution at its source. This is a traditional State responsibility and should continue. The Federal Government should assume its share of responsibility for pollution caused by its establishments. However, because of the broad public concern with water pollution and the growth and seriousness of the problem, the Committee recommends that the Federal Government assist the States through research, investigation, and technical assistance in the solving of pollution problems at their source.

Where the effects of pollution are interstate and where regulatory actions by the States or interstate agencies are ineffective, the Federal Government should prescribe basic criteria and participate in the planning of long-range programs for the abatement of pollution. Such action would be in addition to the enforcement of Federal statutes applicable to the abatement of pollution in interstate waters.

7. The Committee believes that while it is generally sound to plan coordinated development of water resources by large river-basin areas, it is possible to place too much emphasis upon this conception as it may apply to future domestic supplies, land use, and economic development. There are already examples of the shifts in population and in economic and industrial growth which indicate that in some

instances consideration of water resources development should be viewed from the standpoint of a region rather than solely from that of a river basin.

8. The Committee recognizes that the interest of the United States in its boundary waters involves the Nation's international relations, including certain treaty obligations with Mexico and Canada. Many of the recommendations set forth in this report could apply to international as well as domestic projects. For obvious reasons, however, international programs and projects cannot always be expected to conform with the same standards and procedures that are proposed for exclusively domestic programs or projects. The Committee, therefore, believes that this report should be considered as generally applicable to exclusively domestic waters only and that it should be applied to any waters with an international interest only to the extent that it is not inconsistent with international factors that must be taken into account in each case.

With these general principles in mind, the Committee has examined the entire scope of development of water resources and submits hereafter separate sections, incorporating its recommendations as to more specific problems.

SCOPE OF THE PROBLEMS

The physical scope of the water problems in the United States is difficult to comprehend. The average citizen, or at least the urban dweller, takes for granted an ever-ready supply of pure water. He draws upon it at will for numerous household purposes with little thought of where it comes from or how many gallons he uses each day. He would no doubt be surprised to learn that for each member of his family more than 145 gallons per day is provided by the public water supply and that his per capita share of total national use, including industrial and agricultural use, amounts to 1,200 gallons per day.

An estimated total of 200,000 millions of gallons of water are used each day on the farms and in the homes, factories, and business establishments of the Nation. While it is recognized that relatively little water is actually consumed, the water must be available when and where needed. Some of the reasons behind such great demand are seen when it is realized, for example, that 65,000 gallons of water are required for the production of 1 ton of finished steel, 50,000 gallons of water for 1 ton of paper, and 6 gallons of water for 1 gallon of gasoline. The need for water varies from plant to plant, depending upon the efficiency of the reuse cycles.

In spite of the staggering proportions of our present use, the estimates of future needs are even greater. The demand for water increases in proportion to the increase of population and the expansion of industrialization. It is estimated that the Nation's population, which has increased from 75 million in 1900 to more than 165 million today, will reach at least 200 million by 1975, and that industrial production, which has increased eight-fold since 1900, will again almost double by 1975. New uses, such as air conditioning, will increase water consumption in homes and commercial establishments to an estimated per capita consumption of 175 gallons per day from public water supply. More water will also be used by industry as new processes are developed. And, lastly, supplemental irrigation use in the normally humid eastern portion of the country now amounts to over 2 million acres, a three-fold increase since 1940.

At the same time, with major population shifts from rural to urban areas, with extraordinary industrial growth (a 700-percent increase since 1900), and with an increase in volume, variety, and complexity of industrial wastes, the problems of water pollution have become increasingly complicated. Today only about 50 percent of the municipal pollution and about 50 percent of the organic load in industrial wastes is removed before discharge into streams. Pollution does not decrease the gross amount of water in streams, but it makes the water unusable for many purposes downstream without expensive treatment.

The following tabulation indicates the relative volumes of water used for each major purpose in 1950, and the estimated needs for 1975.

Use	Estimated use, 1950		Estimated need, 1975		Increase (percent), 1950-75
	Billion gallons per day	Percent of total	Billion gallons per day	Percent of total	
Municipal and rural	17	9	25	7	50
Direct industrial	80	43	215	62	170
Irrigation	88	48	110	31	25
Total	185	100	350	100	90

NOTE.—These figures denote usage and do not reflect actual consumption.

The foregoing estimates indicate that the total demand for water in the Nation will almost double by 1975. While there is sufficient water to meet this tremendous need, it is obvious that, to do so successfully, there must be a substantial advance toward the ultimate goal of making beneficial use of every drop of water from the Continental Divide to the sea. This is too great a task for any one person or groups of persons or for any one level of government. It will require the continuing efforts of all levels of government and of the many private interests concerned. In fact, it would be no exaggeration to say each American citizen must bear some responsibility for the sound development of the Nation's water supply.

SECTION 1—COLLECTION AND EVALUATION OF BASIC DATA

Relation of Basic Data to Development of Water Resources

An orderly use and control of water resources requires a background of physical facts, understanding, and accumulated experience. For any problem involving water use and development, it is necessary to know when and how much water is available in a given area and how it is distributed. This involves the study of amounts and distribution of rainfall, the flow of rivers, the occurrence of water in the ground, the nature of the rocks and the soil, and other characteristics of both land and water.

The Nature of a Basic Data Program

Basic data include information on the following classes of subjects: Meteorological factors; surface and underground water, both quantity and quality; sedimentation; geodetic control surveys; topography; geology; soils; cadastral surveys; vegetation; fish and wildlife; social and economic factors; land classification; land management; and land use.

A comprehensive program for basic data involves more than the recording of raw facts. These facts must be evaluated, interpreted, compiled, and reproduced in such form as to make them readily adaptable for use. With progressive technological advancements, basic data programs must be currently adapted to meet changing demands for different types of data and to meet ever-increasing requirements for accuracy and detail, and for speed in processing and analysis.

Interpretive studies on an effective scale should parallel the more routine operations associated with the collection and processing of basic data to assure that the increased needs are met efficiently and economically. Such analysis should be sufficient to obtain reasonably accurate estimates of unmeasured periods or of unmeasured areas.

Purposes and Use

Basic information on amounts and distribution of water and characteristics of the land surface, soil, and rocks enters into every stage of the planning, design, construction, and operation of water development projects. Studies of these data are the basis on which decisions are reached regarding how much water is available and how it can be used and controlled. The efficiency, economy, and safety of development projects are all highly dependent on the adequacy and accuracy of the basic information.

Scope of a Basic Data Program

Basic information consists of three types of elements: The first is an inventory of relatively stable or unchanging physical characteristics of the country; topographic maps are one example of this type. The second concerns factors which vary with time; the flow of a river is of this type. The third is an understanding of physical and economic processes, interrelationships, and mechanisms. Such understanding is necessary to interpret, apply, or utilize the other types of information.

A basic data program must include not only the collection of measurements and interpretive studies of these measurements, but these data and results must be processed, distributed, or filed in such a manner as to be useful. Publication of the basic data of the interpretive studies is, therefore, of paramount importance. Those data which are not published because of their form or excessive bulk must at least be tabulated in useful form and filed in such a manner as to be accessible.

Cooperation With the States

Because the physical distribution of water sources and the movement of water, surface and underground, are in many cases not governed by State boundaries there must be a primary program of fact collection supported by the Federal Government. The States have an interest, not only in the maintenance of such a primary program, but in additional data and interpretive studies which pertain specifically to the physical and economic conditions in the individual States.

The States and other units of government have contributed materially to the basic data effort. Their aid has been in the form of both financial support and direct participation in data collection programs. Currently, States and municipalities are contributing about $5 million per year for the Federal programs in hydrology and topography.

Continued cooperation with States and municipalities should be encouraged. Such cooperation serves to supplement the basic data programs of the Federal Government in fields in which there is substantial joint interest. State and local participation contributes to the fundamental programs for interpretation, analysis, and research which are primarily national in character and extend beyond the interests of any single geographical area. Federal matching of State financial support for data programs on a 50–50 basis has been mutually satisfactory and should continue to be a sound basis for such cooperation.

It should be clearly understood, however, that such participation augments but is not a substitute for a national program of data collection. The Federal Government should not be dependent upon availability of cooperative funds either to obtain vital data or to administer its cooperative and independent programs.

Deficiencies in the Present Program

The deficiencies in present basic data collection programs are numerous. First, there has been inadequate areal coverage: for example, only about one-third of the area of the United States and Alaska has been covered with adequate topographic maps. Second, there have been unfortunate lapses with respect to time; many long-term records of meteorological and hydrologic records have been interrupted for periods of years. Third, the quality of some records is inadequate for present purposes and technical standards have not been uniform.

The changing needs for information in connection with water resources development often result in situations where important elements are not adequately measured. For instance, the problem of pollution of streams by municipal and industrial wastes is becoming increasingly serious. Measurements of this aspect of water quality have been so sparse and of such short duration that the available information is inadequate to meet existing needs.

A particularly serious lack has been in the evaluation of raw data. Interpretive studies of raw data are essential to practical use. A project involving utilization of ground water cannot be based on the log of wells alone. The well logs must be interpreted in the form of a geologic map, or in some other manner which allows estimates to be made of the distribution and extent of underground water storage. Primary responsibility for basic data interpretation relating to specific projects should rest with the responsible and affected agencies.

Collection of the raw data has not always been followed by sufficient analysis to make the measurements usable. A well-conceived program of data collection may produce few usable results if lack of continuity in financial support interrupts the necessary steps between initial collection of measurements and final publication in form for use. For example, a large number of measurements of rainfall and runoff in connection with plot and small watershed experiments have never been tabulated because of lack of continuity of funds and are, therefore, not usable.

Research and development are required to keep the quality and standards abreast of changing requirements. The cost of collection, evaluation, and analysis of data has been reduced by concurrent research and development of new techniques. Continued research and development are integral parts of a basic data program.

Policies and Principles

(*a*) It should be the policy of the Federal Government to provide adequate funds to increase the scope of the data collection effort and maintain it on a sustained level from year to year to conform with the needs of water-development programs.

(*b*) Direct Federal appropriations should be made to the data collecting agencies to maintain the core of the collection program and adequate associated interpretive studies in advance of need. Money to be used for data collection and analyses for specific project purposes should be included in appropriations for the projects concerned. Funds appropriated to construction agencies for specific projects should, where appropriate, be transferred to data collecting agencies to assure coordination and to accelerate the primary or core data program.

(*c*) Continued cost sharing and cooperative participation by State and local interests in the collection of basic data should be encouraged. State and local interests should supplement Federal activities that are of local as well as national interest. Consistent national standards for all Federal and cooperative activities should be maintained. Authorization for cooperative participation should be provided if necessary authorization is lacking. When its Federal purpose has been served, data collection activity may be shifted from a cooperative to a State or local program.

(*d*) There should be a periodic review of the status and accomplishments of the basic data program with respect to need, adequacy, and uniformity of standards. Based on this review of status and accomplishments, annual recommendations should be prepared by data collecting agencies, in consultation with the action agencies so as to keep the recommendations for data in balance with, and in advance of, the needs.

(*e*) The principal difficulty facing agencies engaged in the collection and evaluation of basic data has been the inadequacy and lack of continuity of funds. The uncertainty of financial support from year to year for specific data collection programs makes long-range planning difficult and ineffective. Lack of continuity in funds further prohibits the timely initiation of programs to collect new kinds of information as the needs for such arise, or the maintenance of sound programs of research and development. Inadequacy and lack of continuity of funds have caused interruption in data collection and consequent lack of requisite quality. It should be emphasized that irregularity from time to time in the amounts appropriated for these purposes makes it impossible to provide the continuing organization and personnel for record collection and correlation necessary to provide the long-range uniform basic data required if major water development projects are to be properly planned and evaluated before construction.

(*f*) The recommendations which follow call for increased Federal expenditures and may, therefore, need to be tempered by other and more pressing demands upon the Federal Treasury, such as national defense. In that event the Committee feels that it would be wise to so adjust the amounts appropriated that they can be carried forward consistently and on a uniform scale from year to year, so that the organization required and the programs adopted by it will be consistent, uniform, and constant. It is recommended that annual appropriations be based on a 5-year program with annual increments provided each year, as the most certain way of achieving the desired objective, but that in any event attention be focused upon continuing the program on a uniform and consistent, rather than upon a feast and famine, basis.

Specific Recommendations

It is recommended that:

1. Federal funds be appropriated to carry out an expanded program of data collection and evaluation, with the cooperation of States and local units where appropriate.

2. Detailed programs conforming with principles and policies outlined herein should be prepared annually by the data collecting and action agencies. These annual program recommendations should be submitted through normal budgeting and appropriation channels where the recommendations can be weighed and balanced with other requirements for Federal funds.

3. For each main field of activity, the outline of an expanded program to meet the current and estimated future needs is set forth briefly in the following recommendations. It is recognized that these recommendations are to be revised as new requirements and changing needs become known or as new techniques provide opportunities to improve the data program.

(*a*) *Meteorological observations.*—The present national network consists of about 5,000 temperature stations; 11,500 precipitation stations, including 3,000 recording gages and 300 storage gages; and 350 evaporation stations. Density of measurements should be increased in regions such as mountain areas where necessary to define local variations in climate. About 5,000 additional stations, mostly precipitation, are needed and they should be established during the next 5 years.

(b) *Surface water.*—The current network of 6,500 streamflow measuring points should be increased immediately to 7,500 sites. Over a period of 10 years the network should be gradually increased by 50 percent. Particular emphasis should be placed on obtaining streamflow records of restricted duration on watersheds of moderate and small size. These short-term stations should be integrated with a series of semipermanent base or index stations.

(*c*) *Water quality.*—Except for scattered and limited determinations made at major water and sewerage facilities, there is essentially no coordinated program for measuring the biological quality of the Nation's water. There are only some 220 locations where daily chemical water quality samples are taken. Compared to other basic data programs, the current program for measurement and study of chemical and biological water quality is particularly deficient, and present expenditures should be tripled over a period of 5 years.

(*d*) *Ground water.*—Knowledge of the occurrence and distribution of ground water resources has not kept pace with the increasing importance of water from this source. The program designed to develop principles of ground water distribution and to map, appraise, and interpret the ground water resources should be doubled over a period of 5 years.

(*e*) *Sedimentation.*—During the next 10 years, 1,300 stations for the daily sampling of sediment loads in streams should be established in addition to the 300 now in existence. The program of surveys and resurveys of sediment deposited in reservoirs should be increased to encompass more than the present 147 reservoirs. Emphasis should be placed on obtaining sufficient data with which to appraise the source areas, mode of transport, and pattern of deposition of sediment eroded from the land.

(*f*) *Soils.*—The nationwide soil classification and mapping program, including publication, should be completed, according to priority of critical need during the next 15 years. This will require an overall acceleration, including State participation, to about twice the current rate.

(*g*) *Topography.*—The program of standard topographic maps which will serve water resources and many other critical needs should be completed within the next 15 years. This will require that the current program be accelerated to twice its present rate. Mapping should proceed on a priority basis, with provision for a program of map revisions to maintain maximum usefulness.

(*h*) *Geology.*—It is recommended that the United States, its Territories and island possessions be covered, within the next 30 years, by standard general-purpose geological maps, at appropriate scales, which show surficial as wall as bedrock geology.

(*i*) *Cadastral surveys.*—The existing cadastral survey program of the public domain should be completed in the next 10 years. This includes both original surveys and the resurveys of lands not properly or permanently monumented.

(*j*) *Geodetic control surveys.*—Geodetic control surveys must be at least 1 year ahead of topographic, soil, and geologic mapping and cadastral survey programs. This requires that the current program be accelerated to two and one-half times its present rate. Provision should be made for resurveys in areas where land movement is taking place.

(*k*) *Vegetation.*—Forest and range surveys should be completed in 15 years with periodic rechecks every 10 years thereafter.

(*l*) *Fish and wildlife.*—The essential data for determining the role of fish and wildlife in comprehensive river basin development often can be obtained only through systematic studies extending over a number of years. This will require substantial increases in the scope and intensities of biological investigations as well as cooperation with universities in determining life cycles and methods of providing and improving habitat. Data on the effectiveness of manmade devices such as fish ladders and hatcheries, designed to compensate for disruption of natural balances, are particularly essential.

(*m*) *Watershed management effects.*—Investigations should be expanded to determine effects of watershed management on hydrology, including runoff and sediment. Special attention should be given immediately to research which will bridge the gap between effects on experimental plots and small watersheds, and effects in larger river basins.

(*n*) *Economic data.*—There is a particular need for strengthening the program of collecting impartial information on economic factors in the field of water. Uniform standards and adequate coverage are essential. The total amount of funds currently devoted to the collection and interpretation of basic economic data should be tripled over a period of 10 years.

4. There should be a marked increase in the interpretive and evaluative studies of the basic data. With respect to Federal funds allocated to basic data agencies, not less than 5 percent of the funds allocated to each field of data, such as meteorology or stream gaging, should be used for evaluative studies, including research and development, in order that this aspect of the data collection effort may be brought into balance with the need.

The basic data program acceleration recommended by the Committee would require within the next 5 years, doubling of the present annual rate of Federal appropriations; that is, from approximately $40 million to $80 million. This increase would represent only 2 percent of the amount of annual Federal expenditures alone on natural resources.

SECTION 2—PLANNING FOR USE AND DEVELOPMENT OF WATER RESOURCES

It should be made clear that there is no "national" water problem. Instead there are nationwide problems relating to the use and development of water resources which vary widely between different sections of the country and frequently between local areas. The problems include provision for adequate supply and distribution, establishment of priorities of use in event of scarcity, protection from flood damage, improvement of navigation, preservation of scenic and recreational values, preservation of fish and wildlife, and abatement of water pollution. A uniform national blueprint for water resources development is neither practicable nor desirable. Each area must be considered in the light of its own present and anticipated problems. These can be solved only by planning for the future as intelligently as possible. This planning should represent collective judgment based upon all available information of what is most needed for the river basin, the State, the region, and the Nation. Such plans as may be adopted should receive careful and continuous reappraisal.

It is in the various planning stages that the extent of Federal, State, and local interests is explored; that rules of evaluation are applied; that cost-sharing and reimbursement patterns are set up; that construction plans are made; and that operation of the project is outlined.

Planning for the development of water resources has undergone a marked evolution during the last 50 years. At the turn of the century the use of water resources was planned largely on a single-purpose, single-project, single-agency basis. Too frequently other equally important uses of water were overlooked. This was because no agency was authorized to plan for comprehensive development. Each carried out its specific function as prescribed by law. The objective of planning should be the best utilization of all water resources from the time precipitation falls upon the land until the water again finds its way into the sea. The local people, through established agencies, should have an effective voice, along with the Federal agencies in this planning, which would recognize and properly weigh all the varied and sometimes contrary programs affected by the proposed development of water resources.

Although some progress has been made toward coordination of effort, much remains to be done. The inadequacy of coordination in the field of water development stems largely from the fact that there are several Federal agencies engaged in various phases of water control and development programs, each operating under separate pieces of legislation and with differing objectives. Plans of the several agencies vary widely in detail and in purpose. Most of the planning done to date has been in the fields of flood control, navigation, irrigation, soil conservation, watershed control, and hydroelectric power. There has not been sufficient planning, however, with respect to such functions as drainage, preservation and propagation of fish and wildlife, recreation, preservation of historic and scenic areas, abatement of pollution, and municipal and industrial water supplies.

Participation in Water Resources Planning

The growing need for more coordinated development and operation of the Nation's water resources is apparent. Plans prepared by one agency, even though submitted for comment to other interested agencies and to the States and local interests, are frequently lacking in the overall viewpoint which should be controlling. Superficially the opportunity afforded to other agencies, States, and local interests for comment would appear to give them a voice in the determination of the ultimate plan. However, it is believed that as a practical matter, because of the relatively short time permitted for comment (usually 60 days) and the multitude of complex reports submitted, too frequently the original agency's plans, motivated by a limited or single objective, are approved without adequate consideration of other factors necessary to full utilization of water resources.

It has been frequently suggested that all Federal agencies engaged in natural resource development, including water, be consolidated into a single Federal agency. Aside from the fact that it is questionable if such a proposal, as a practical matter, would be adopted by the Congress without long delay, it should be pointed out that such consolidation in and of itself would not effectively solve many of the more important problems. It is first necessary that conflicting policies now existing under various laws that have heretofore been passed be resolved. Even if a single Federal agency should be made responsible for all Federal water-resources development today, that agency could not effectively operate until conflicts in laws had been removed and consistent Federal policies developed.

To achieve the maximum beneficial utilization of water resources, planning for their use must be a cooperative effort participated in by all of the Federal agencies involved, the States, local governments, and private citizens included within the area under consideration. This principle is sound, but its accomplishment presents many problems.

Some States have excellent water resources departments or agencies provided with adequate finances which would permit them to participate freely with Federal agencies in the planning of water resources developments. Other States have very meager departments and personnel, and some few States have none. In many cases these facts prevent desirable participation.

It is recommended that both the executive and legislative branches of the various State governments give serious consideration to providing administrative and financial machinery by which at least a moderate staff can be employed on a continuing basis to participate at all stages of water resources planning. Only by general participation from the beginning of planning can the charge of Federal domination and the faults thereof be eliminated. The States and local interests that are directly affected by water resource developments have a great interest. The national interest is often indirect.

Furthermore, the Committee believes that those persons and areas receiving direct benefits from water development projects should contribute toward their cost. For that reason local interests should assist in the planning in order that they may understand from the beginning the projects to which they may be required to contribute. Each agency of the Federal Government or State government should be directed to invite participation by all affected agencies—Federal, State, and local—in planning of all water-resources projects, and the plans evolved should represent joint effort.

Federal Agency Coordination

For effective water-resources planning, the closest coordination among Federal agencies is required. The agencies involved and their designated functions include the following:

Department of Agriculture.—The watershed protection and flood-prevention activities of the Soil Conservation Service; the water facilities program of the Farmers' Home Administration; the administration of the national forests by the Forest Service; soil and water research by the Agricultural Research Service; the conservation activities of the Agricultural Conservation Program Service; and the general interest of the Department in the Nation's agricultural production.

Department of the Army.—The Corps of Engineers on flood control, river and harbor development in connection with navigation, generation of power, and water supplies.

Department of Commerce.—The Weather Bureau with its basic data and river and flood forecast and warning services; the Coast and Geodetic Survey; the Bureau of Public Roads, which is affected through the necessity of highway relocation and of providing navigational clearances in highway bridges; and the responsibility for the development of overall transportation policy.

Department of Health, Education, and Welfare.—Municipal and industrial water supply planning and water pollution control in the Public Health Service.

Department of the Interior.—The basic data programs of the Geological Survey; the soil and moisture conservation programs of the Bureau of Land Management and the Bureau of Indian Affairs; the irrigation, power, and water supply projects of the Bureau of Reclamation; the fisheries and migratory waterfowl conservation responsibilities of the Fish and Wildlife Service; the recreation interests of the National Park Service; the mineral investigations of the Bureau of Mines; and the hydroelectric power marketing activities of the Bonneville, Southwestern, and Southeastern Power Administrations.

Federal Power Commission.—The granting of permits on all non-Federal hydroelectric power developments on navigable streams, and the approval of rates for sale of power from certain Federal projects.

Department of Labor.—At time of scheduling construction with reference to availability and other matters relating to labor.

Department of State.—Concerned with boundary waters of the United States, involving the International Joint Commission, United States-Canada, and the International Boundary and Water Commission, United States and Mexico.

Each of these agencies should take its appropriate place in the comprehensive development of water resources in a given basin. Each should have reasonably defined spheres of operation although this is not always the case. A plan which requires all of the agencies having an interest to have a responsible voice from the very beginning in the planning of water resources projects should, in the nature of things, define in advance the scope and extent of the activities of each, take into account their interests, and in large part prevent the interagency rivalries which have too frequently been evident in the past.

There has been a general acceptance of the river basin or major drainage area as ordinarily the most appropriate geographic unit for use in planning water resources activities. The interrelationships of rivers and streams within a watershed make it seem logical to utilize the basin as the primary unit for the general physical plan. However, this concept should in no way prejudice consideration of important interbasin relationships where sometimes, by reason of physical or economic conditions, the maximum utilization of water resources may require, in the years to come, diversions from one basin to another.

To achieve the ideal objective, plans should be developed and kept up to date cooperatively by Federal, State, and local interests, public and private. Consideration of the merits of these plans should be divorced from any conception as to "who builds what." They should not in themselves include any concept of authorization or responsibility to build. Their purpose should be to guide regulatory, legislative, and executive bodies in the making of wise decisions.

Within the broad scope of basin or regional plans individual units should, so far as feasible, be set up as component segments or projects, with due regard to the overall plan, so that wherever possible individual projects may be undertaken from time to time. To so separate general plans into their component projects offers much wider opportunity for participation of non-Federal agencies, and thus not only reduces Federal responsibility but leaves the door open for local initiative.

Organization

To effectuate the foregoing principles and to facilitate proper participation by all of the numerous agencies and groups, some with conflicting interests, in water resources development, it is recommended that an organization plan be adopted substantially as follows:

1. *Water resources committees.*—At the regional or river basin level water resources committees [1] should be established from time to time for such purposes and duration as required. The President should appoint a permanent nonvoting chairman of each committee, giving due consideration to individuals proposed by the governors of the participating States. The membership of the committees should include one representative of each Federal department having water resource responsibilities, each appointed by the head of his department, and one qualified representative of each affected State, appointed by the governor, all on an equal basis. Advisory participation by the Federal Power Commission and the Department of Justice from time to time on specific problems may be appropriate. The total number of either Federal or State representatives is regarded as immaterial, since the conflicts should be resolved by cooperation and not by voting strength. In designating members to serve on the water resources committees, Federal departments and States should recognize that the planning task is intricate and time consuming and cannot be carried out effectively by a staff which is constantly changing in membership.

The water resources committees should be the principal and continuing medium through which the various departments, State and Federal, coordinate resources planning and development activities. The committees should serve as the mechanism through which the several agencies would prepare and publish joint plans for water resources development. Action on specific projects of joint plans, however, would be taken by the appropriate agency or agencies. The committee may foster studies of water resource problems not otherwise sponsored by any agency.

Each water resources committee should prepare and keep up to date a comprehensive plan which will best serve the region and the Nation in the development of water and related land resources. Under the general plan, the water resources committee should recommend an annual work schedule to be reflected in the budget requests of each cooperating agency. The work schedule should include estimated

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[1] For purposes of this report, the functions of these proposed committees are limited to water resources. Consideration might be given to broadening their scope to include all natural resources.

funds needed for (1) collection and analysis of basic data; (2) investigation and project planning; (3) program of construction; and (4) maintenance and operations. The committee should also prepare an annual report on progress in the area.

The chairman of the water resources committees should be responsible to the Coordinator of Water Resources (see No. 3 below) and should at all times be guided by the policies and procedures of the President. Each chairman will require a small independent staff and funds for independent use.

In the event of unresolved disagreements the matters should be referred to the Coordinator of Water Resources.

2. *Interagency Committee on Water Resources.*—There should be established a permanent Interagency Committee on Water Resources, advisory in character, and composed of the head (or other designated principal policymaking official of not less than assistant secretary rank) of each of the Federal agencies involved, namely, the Departments of Agriculture, Army, Commerce, Health, Education, and Welfare, and Interior, and the Federal Power Commission. The Coordinator of Water Resources should be the permanent chairman of this Committee. The Interagency Committee should be the medium for coordination of the interrelated functions of the several agencies. It should also be the channel for advice between the President and Federal representatives on the water resources committees. This Committe should be advisory to the President and should have authority by unanimous action to determine finally interagency relationships.

3. *Coordinator of Water Resources.*—There should be established in the Executive Office of the President an office of Coordinator of Water Resources. Whether this official functions as a part of the Office of the Coordinator of Public Works Planning, or separately, the Committee believes that, because of the current and increasing importance of water resources problems, some such avenue of Presidential direction is desirable. This official would act as permanent chairman of the Interagency Committee above described, cooperate with the Bureau of the Budget and the Council of Economic Advisers in the evaluation of departmental requests for appropriations, and assist in the reconciliation of water resources policy with other Federal policies. He would also work with the Coordinator of Public Works Planning, if that be a separate office, toward a successful long-range program of water resources developments as a part of long-range public works planning.

In addition to the functions suggested above, this official should take the lead in establishing principles, standards, and procedures to be used by the Federal agencies in the planning and development of water resources programs and projects. He should also prepare for the President an annual report on the development of the Nation's water and related land resources. He should not assume the budgetary, the fiscal policy review, or the legislative clearance functions of the Bureau of the Budget.

SECTION 3—BOARD OF REVIEW FOR WATER RESOURCES

The Committee believes that the President, before making final decision on water resources projects, should have the benefit of advice from a Board of Review for Water Resources Projects. The establishment of such a Board to provide completely objective expert advice on the engineering and economic feasibility of proposed projects has been recommended by most of the large organizations, both in and out of Government, which have studied the water resources problem. The necessity for more adequate review has been widely recognized and is deemed of great importance by the Committee. It is believed that the establishment of such a Board would be widely supported.

The Committee recommends that a Board of Review be created in the Executive Office of the President. The Board should consist of three well-qualified individuals who will devote full time to the duties of the Board. They should be persons who have had no part in the original planning of the projects they would be asked to review and who would not be involved in the subsequent construction of such projects. The membership should be chosen from qualified engineers, economists, or others of recognized abilities and judgment in the resources field.

The members should be appointed by the President for terms corresponding to his own and serve at his pleasure. The Board should report to the President through the Coordinator of Water Resources. The Coordinator, however, would not serve as a member of the Board. The Board should have a small full-time staff which would report to the Chairman of the Board.

The Board of Review should have the following functions:

1. To evaluate, in the light of policy established by the Congress and criteria established by the Coordinator of Water Resources, all reports on water resources projects proposing Federal participation, and all reports on basin or regional plans.

2. To recommend to the Coordinator of Water Resources any modifications in proposed projects or programs considered desirable from a comprehensive national viewpoint.

3. To recommend to the Coordinator of Water Resources any changes in or additions to criteria for water resources projects which it deems advisable.

4. To submit recommendations upon any other matters referred to it by the President or the Coordinator of Water Resources.

SECTION 4—FEDERAL, STATE, AND LOCAL RELATIONSHIPS WITH REFERENCE TO THE USE AND CONTROL OF WATER

The consideration of national policies with reference to water resources suggests the desirability of a survey of the proper respective relationships and responsibilities of the Federal Government, the States, and individuals for determining the uses of water. It is out of the conflicting views as to the rights of these groups that many serious controversies in water resources development have arisen.

There is lack of uniformity of approach by the various States to this problem, a condition which is wholesome so far as it reflects adaptation to local economic, social, and fiscal conditions. The responsibilities of the Federal Government and of the respective States and individuals in making such determinations are worthy of brief comment.

The Rights of Individuals

In the early American history as there developed the inevitable conflict between community interests and individual rights, such conflicts were in the most part settled by the application of the doctrine of riparian rights.

This is the principle that the owner of land contiguous to a stream has a right to a reasonable use of the waters of the stream and the right to have the stream flow past his land reasonably unimpaired by upper landowners. This doctrine is still recognized in most of the 31 Eastern States and in modified form in some of the Western States, although frequently altered in the latter to meet local requirements.

The riparian rights of landowners adjacent to streams have long been considered as a valuable right attached to the land and a right historically taken into account in determining property values.

As expansion continued westward, new conditions were encountered to which the doctrine of riparian rights was not suitable. The arid and semiarid climates of the more western States made it necessary to store water supplies to meet domestic, agricultural, and industrial needs during the dry seasons. Western mining was also largely dependent on a continuity of water supply. A rule was evolved to meet local custom and common interest that the one who first applied water for beneficial uses, whether for domestic, agricultural, mining, or manufacturing purposes, was entitled to protection of the right of continued use, whether or not he was a landowner adjacent to the stream.

This custom early ripened into the principle of prior appropriation of rights to use of water by which existing beneficial uses were recognized as constituting a prior right to the water of a stream; that first in time of beneficial use was first in right; and that through its beneficial and productive use valid property rights could be acquired.

The agricultural, mining, and hydroelectric power economy of the 17 Western States is largely built upon the recognition of the right to use water as a property right. Large areas of land in our Western States are admittedly of little value if deprived of water. The right acquired by the appropriation of water has been recognized from the beginning of development of the West as a property right, just as valued and oftentimes more so, and just as much protected by the law as the title to the land itself.

Principles for Meeting Water Needs Effectively

In view of these facts local interests should have a voice in determining the uses and application of the water resources of their regions and localities. The Federal Government, in the planning of projects, should cooperate with local representatives in accordance with the procedure herein set forth. The principles which recognize water rights as property rights should be accepted. Determinations as to disposition of water should recognize such rights.

Continuous collaborative planning will result in the most effective water use and control and at the same time eliminate and avoid arbitrary and unilateral decisions.

The Federal Government should encourage the resolution of differences which may arise between States on water use and control through the negotiation of interstate compacts which recognize both the State and Federal interests.

The Committee recommends that a study be made under the leadership of the Federal Government in collaboration with State and local entities to determine (*a*) the relationships between the establishment of property rights to water and the economic and social development of the Nation and its regions and of the States and their communities, and (*b*) the principles and criteria to be incorporated into Federal, State, and local laws upon which rights to the appropriation and use of water could be established that would assure the best and most effective use and control of water to meet the current and the long-range needs of the people of a region, State, or locality, and of the Nation as a whole, and that would encourage maximum participation by all parties of interest.

Underground Waters

The ownership and use of underground water are so closely related to surface land titles that any regulations relating to underground water should remain strictly a matter of State concern. Not many of the States, however, have adopted any policy for regulating the use of such waters.

In many parts of the country there are current and foreseeable underground water problems which deserve more attention than they are receiving. In some areas there appear to be vast reservoirs of underground water, adequate for all foreseeable uses of the overlying land and possibly providing surpluses. In other areas limited underground waters are available, but excessive drawdowns are not quickly compensated. In some of these areas underground water tables have been lowered to the point where the dependent irrigation or other use is imperiled.

The problem is of increasing importance. The Committee suggests that the States give serious consideration to the enactment of appropriate legislation regarding the ownership, right to use, purposes of use, and place of use of such underground water. This would encourage optimum utilization of available supplies and insure that undue reliance upon such water sources does not result in excessive investments based on an economy which can only be temporary.

Interstate Compacts

Most of our major rivers have an interstate character. They either cross or are the boundaries of several States, each of which may have an interest in the stream from the standpoint of water supply, navigation, pollution, or otherwise.

Your Committee believes that every encouragement should be given to the formation of interstate compacts by which the respective States undertake to adjust between themselves the fair and equitable distribution of water and the other problems relating thereto.

It is recognized that the interstate compact method is slow and difficult, but if it can be made effective, it represents the collective understandings and agreements of the people of the affected States, and it is believed that agreements and compromises so arrived at will receive more widespread public support than will the imposition of Federal legislation.

Such compacts must take into account the interests of each of the States involved as well as be compatible with the national interests and the Federal constitutional powers.

Summary

The use and control of water should be planned to best meet the needs of the people, national, regional, State, and local. Planning for water use should be participated in by Federal, regional, State, and local representatives, as recommended in section 2. It should be continuous. Facilities should be designed and operated in accordance with such planning and to meet both current and long-term needs, with flexibility to meet growth and changing needs. Because of the close relationship of underground water to surface land titles and because of lowering water tables, States should enact appropriate legislation regarding the ownership and right, purpose, and place of use of such water. Formation of interstate compacts where appropriate should be encouraged.

Further study should be made to evolve the best means to insure and to accomplish these aims.

SECTION 5—PRIORITY OF USE OF WATER

The Committee is convinced that no statement of relative priorities for the use of water can be made which is applicable to the entire country.

As pointed out, most of the 17 Western States, under the doctrine of appropriation, have adopted certain priorities of uses, usually in the order of (1) domestic uses, (2) stock watering, (3) irrigation, (4) manufacturing or hydroelectric power. Such a pattern is obviously not applicable in many of the Eastern States, where the major problems are (1) domestic use, (2) industrial use, (3) water pollution, and (4) navigation.

Many of the Eastern States have already asserted State control over the appropriation and use of both surface and underground waters, at least to the extent of requiring persons desiring to divert flowing water to secure permission to do so from some agency of the State. This trend evidences a purpose to free water from the strict riparian doctrine, without doing violence to the existing enjoyment of riparian rights, all to the end that water may serve a broader use.

This trend is evidenced by such phrasing in the statutes as "productive use," "economic use," and "optimum use." There is also in the Eastern States a developing trend companionate with State control of water that permits sales of water as a vendible product, both by public and private agencies, but prohibiting such sales on a permanent basis and limiting them to a term basis.

The precent concept of Federal water developments is the multipurpose concept to use most advantageously available water resources for the overall public benefit. This is evidenced in section 9 (e) of the Reclamation Project Act of 1939, which authorizes sale of unappropriated water under term contracts and for miscellaneous and municipal purposes for a term not to exceed 40 years. Also, under section 6 of the Flood Control Act of 1944, the Secretary of the Army (Secretary of War) is authorized to make contracts for domestic and industrial uses of surplus water that may be available at any reservoir under the control of the Secretary of the Army, provided that no contracts shall adversely affect then existing lawful uses of such water. In addition, Congress has established priorities of water use in certain areas, such as specified by the Boulder Canyon Project Act, and by approval of certain boundary water treaties with Canada. Congress has also subordinated the navigational use of waters, in connection with Federal structures, to beneficial consumptive use in the Western States by the 1944 and 1945 Flood Control and River and Harbor Acts, and subsequent acts.

The changing needs for and uses of water have already indicated that some flexibility may be desirable if water is to be used for the most essential purposes. Legally established water rights so vital to domestic, municipal, agricultural, and industrial uses should not be disturbed or altered, however, without just compensation.

SECTION 6—EVALUATION OF WATER RESOURCES PROJECTS

To permit more intelligent evaluation of the numerous water resources projects proposed throughout the United States, it is necessary to further improve and maintain rules and standards by which the various projects can be judged and compared. The formulation of acceptable standards which give proper weight to the numerous factors concerned is a complex problem.

An evaluation requires balanced consideration of two main components: (1) an economic appraisal of those benefits and costs which are reasonably measurable in dollar terms, and (2) adequate consideration of values not readily expressed in monetary terms. Because of the nature and objectives of water resources development programs, both aspects of the evaluation must necessarily reflect an important measure of judgment.

The public interest in water resources development extends over a wide range and encompasses such things as provision of economic opportunities for a growing population, strengthening the resource base upon which the economy of the Nation rests, preservation and protection of scenic areas and of fish and wildlife, protection of life and health, and many others. Many of these are only partially susceptible to monetary measurement and there is wide divergence of opinion as to their relative importance. The development of uniform standards for the treatment of these intangible values has been difficult and controversial.

Many water resources developments have been largely responsible for the settlement of large areas where today there are substantial cities, which in turn represent large and diversified business investments, all contributing materially to the national economy. Likewise, great indirect or secondary benefits have stemmed, under some circumstances, from the removal of the threat of floods, from the development of navigation, and from the intensified productivity of land.

In connection with many major projects there are equally important tangible and intangible detriments or damages associated with project development, such as the disruption of established communities, the inundation of valuable land and mineral resources, the disruption of local taxing units by the removal of land to a tax-exempt status, the destruction of scenic values, and adverse effects upon fish and wildlife resources.

The Committee recognizes fully that such intangible benefits and detriments do exist, and that they must be taken into account in determining the wisdom of proceeding with many proposed projects.

There should be an adequate economic analysis of the benefits and costs of each project. In this analysis, it should be recognized that, from the standpoint of the Federal Government, many of these secondary benefits are of a local or regional nature. From the Federal viewpoint, therefore, consideration should always be given to what equally desirable secondary benefits might similarly result from other uses of equivalent money, goods, and services.

Likewise, consideration must be given to an accurate comparison of the costs of Government action with the costs of other means of meeting similar needs and achieving similar objectives.

General Principles

Certain general principles would appear clear:

1. All evaluations by all agencies should be prepared on a uniform basis. This has not heretofore been true. Uniformity in the preparation of evaluations is essential if accurate comparisons are to be made. Comparisons of projects are generally expressed in terms of benefit-cost ratios. Such a ratio is obtained by comparing the benefits from a project with the project costs and expressing the result in numerical terms. Normally, a water resources project should not be undertaken unless the benefit-cost ratio is greater than one to one. Since, however, such a ratio does not reflect either intangible benefits or intangible costs, which may be of substantial significance, the ratio should not be the only criterion of the desirability of a particular project.

2. All economic analyses including the calculations of benefit-cost ratios by all agencies should conform to criteria spelled out in detail. Much progress in this connection has been made in recent years as a result of interagency studies and the issuance of tentative standards by the Bureau of the Budget. Under the organizational plans outlined in section 2 of this report, it is recommended that the system of requiring all Federal agencies to conform to uniform standards of evaluation be continued under the direction of the proposed Coordi-

nator of Water Resources. The general criteria to be adopted should be on the most realistic basis possible. The comparisons with other means of obtaining the objectives should take into account all of the factors which affect the Federal Government.

3. Up-to-date project evaluations should be presented both at the time of the request for authorization, and again at the time of request for funds to undertake initial construction. No project should be authorized or constructed on the basis of figures which are several years out of date. The various Federal agencies engaged in water-resources development have several hundred projects which have been authorized by the Congress during past years. It is essential that the economic factors of these projects be brought to current date before submission for further congressional action.

Application of Principles

The Committee recognizes that the application of the foregoing general principles will require the most careful consideration of numerous factors by the Coordinator of Water Resources. It is neither necessary nor appropriate for the Committee to comment on all of these factors; however, certain of them deserve comment here.

General studies and expenses of Government up to the time of the authorization of the project should be excluded from the cost of specific projects; however, any detailed investigations of specific projects, such as advance planning, should be included in project costs. In any comparison of costs it should be kept in mind that many of these preliminary investigation expenses would have had to be borne by any private concern undertaking a similar project and would properly appear as part of the costs of such private concern. The inclusion in or omission from project cost estimates of such items of expense as salaries of top-level Government officials, contributions of Government toward retirement, services rendered by other agencies, postal expenses, and numerous others, should be stated specifically.

In estimating both construction costs and anticipated benefits and costs, the Committee recommends the use of current prices for early installation costs and long-term prices, excluding effects of inflationary and deflationary trends, for estimating deferred benefits and costs.

The wide difference in interest and taxes applicable to Federal and non-Federal investments raises a special problem in project evaluation. In order to assure proper resource development by either public or private means, a consistent basis for treating taxes and interest is essential. The Committee believes that in comparing any proposed water development project with alternative means for producing the same result, the full normal tax rate, including Federal, State, and local, which the project would bear if constructed by taxpaying participants, must be used. It must be remembered that whatever tax exemption is obtained by local projects through Federal ownership must be paid by other taxpayers generally.

Although for purposes of technical comparison the non-Federal interest rate should be used, the Committee recommends that for simplicity the Federal long term borrowing rate be considered appropriate for interest charges in computing both project costs and the costs of alternative means. The Federal rate is generally lower than interest rates paid by other public or private agencies.

The Committee recommends that the evaluation period for estimating benefits and costs be the economic life of the project or 50 years beyond the date at which particular features go into service, whichever is less, tempered in the case of projects requiring a development period, such as the irrigation of land, by an additional 10-year allowance for such development to take place.

The annual costs chargeable during the evaluation period should include amortization with interest of all initial investment costs, less any salvage value for nonproject uses; amortization of major replacements; and operation and maintenance costs.

The benefits attributable to the evaluation period should include only those annually accruing during the period. Any benefits believed to accrue beyond the 50-year period should be separately identified.

Projects should be formulated, within sound economic limits, in such manner that the maximum net tangible and intangible benefits for each of the purposes of the project will be realized from the use of the site and the economic resources used in the project. No purpose or separate segment of the project should be developed beyond the point where the benefits added for the last increment are equal to the cost of its inclusion. Each segment of the project should be more economical than any alternative means, public or private, available in the locality for accomplishing the given purpose that would be expected to develop in the absence of the project.

Benefit-cost ratios of water development projects should be calculated on the basis of primary benefits. Any agency should be permitted to submit, as supplemental material, computations of secondary benefits. It should be borne in mind, however, that in the calculation of secondary benefits that can be used to justify a project, allowances must be made for the costs incurred in secondary activities and for comparable secondary benefits that might arise from other uses of the money, labor, and materials required by the project; that secondary benefits are not needed to justify projects which have primary benefits in excess of costs; and that secondary benefits cannot be used to justify project costs in excess of costs of alternative sources of services. Secondary benefits may be used in justifying projects in specific situations where a project is expected to cause a fuller use of economic resources that would otherwise be unemployed or unused. They frequently are of importance in the analysis of the local or regional benefits of a project, as a basis for local or regional cost sharing. Any use of secondary benefits should be separate from and not confused with the primary benefits used in computing the benefit-cost ratio.

It is important that uniform standards be used by all agencies for allocating costs of multiple-purpose water resources development projects among the project purposes in such manner that each purpose bears its own share of the costs and shares equitably in the savings resulting from being part of a multiple-purpose project. The Committee endorses for general use the separable costs-remaining benefits method of cost allocation as previously adopted by Federal agencies. Costs represented by expenditures to mitigate damages to existing resources and facilities should be equitably allocated among the project purposes.

SECTION 7—AUTHORIZATION OF PROJECTS

The basic steps in the development of any water resources projects are, in order, field investigation, preparation of a report, and a request for authorization. If congressional authorization is obtained, there follow annual requests for appropriations to construct the project. It is believed that as to all major projects, each of these steps should be under the control of the Congress.

The procedures for obtaining legal authorization of projects differ among the various Federal agencies. The Corps of Engineers must obtain authorization by specific affirmative legislation in each case, although this is customarily accomplished by omnibus rivers-and-harbors and flood-control bills, each authorizing scores of projects throughout the United States and its Territories at one time. The Secretary of the Interior may himself under existing law authorize construction of certain projects upon finding that they meet specified criteria. In practice this has been discontinued, and the Department of the Interior now seeks specific legislation for individual projects. The Department of Agriculture under the Watershed Protection and Flood Prevention Act of 1954 can self-authorize projects, subject only to submitting them to Congress for a limited period of time during which Congress may take negative action.

It is recommended that all of the agencies initiate investigations of major projects only when such investigations are approved by the Congress, either by specific legislation or in connection with appropriations for investigation.

It is further recommended that major projects or programs for the development of water and related land resources involving Federal expenditure should be authorized only by specific act of Congress for each such project. To avoid placing an undue burden upon the Congress, however, the authority to construct small projects may properly be delegated as at present to appropriate officials of the executive branch. "Small projects" is a very elastic term. A more precise definition by the Congress for use by all Federal agencies is highly desirable since there is variation among agencies under present laws.

Authorization for any project should not be proposed until a reasonable opportunity has been given for its review by the various Federal departments, the Board of Review, the States, and local interests directly affected. Such a review would be provided under the planning procedures recommended in a previous section of this report.

The President should require that any proposal prepared in the executive branch be cleared by the Coordinator of Water Resources before it is submitted to the Congress. In this way the President may assure compliance by the several departments with uniform criteria and policy established by him within congressional laws. This requirement should apply to all proposals in the water resources field, including those which are made by a Federal agency under specific congressional direction, those which are proposed by a Federal agency as a result of its own investigations, and those which are required to remain before the Congress for a specific period before construction is undertaken.

If the Coordinator of Water Resources does not concur in a proposed report he should either (1) permit the proposing agency to forward the report to the Congress, accompanied by his comments, or (2) return the report to the preparing agency with suggestions for its revision and resubmission.

After a project is authorized, a reexamination of the economics and engineering should be made shortly before a request is made for appropriations for construction. This reexamination should be a planning type report which will be submitted through the Bureau of the Budget to the Appropriations Committees of the Congress in support of the request for construction funds. If significant changes are found in the project engineering or economics, a report covering these matters should be submitted to the Board of Review before being submitted to the appropriate legislative committees of the Congress for approval of modification of the project. With respect to projects which have been authorized for more than 5 years and to which no funds have been appropriated for construction, the reexamination reports should pass through the reviewing procedure previously proposed in this report.

SECTION 8—PARTICIPATION IN COSTS

Just as a sound national policy should provide for joint participation of Federal and non-Federal interests in the planning of water resources, by the same token it should provide for an equitable sharing of costs. As a general principle, the share of the costs to be borne by the beneficiaries should be proportionate to the benefits received.

If water resources projects generated benefits that were primarily of national significance, with only incidental direct benefits to particular individuals and incidental indirect benefits to particular areas, then cooperative action and the principle of cost-sharing would be inappropriate. But this is not generally the case. In most cases, the major share of the direct benefits of these projects accrues to particular individuals and a substantial portion of the indirect benefits accrues to particular areas. At the same time, the sound, long-run development of the Nation's water resources certainly yields benefits to present and future generations of all of our people. These general or national benefits provide the justification for the Federal Government bearing a fair share of the cost.

The principle of cost sharing should not be limited to projects constructed by the Federal Government. It should apply also to projects constructed by non-Federal interests. In fact, the Committee believes that the States or their agencies and local public or private groups should be encouraged by the Federal Government to initiate and take responsibility for the construction of water resources projects. These projects, of course, should provide the optimum use of resources in keeping with jointly developed river basin plans and, to the extent required, with Federal statutes and regulations. As a general policy, the Federal Government should not build any such project, or part thereof, that can, under fair and reasonable terms, be built by non-Federal interests, except those projects of primary national concern, where non-Federal interests are unable adequately to meet the need.

On the basis of these general views, the principles governing cost sharing of water resources projects should be as follows:

1. Identifiable beneficiaries should pay an appropriate share of the cost of projects. The Committee believes that in most instances direct identifiable beneficiaries should pay a larger share of the cost for benefits received than they now do.

2. The non-Federal share of the costs should be collected from beneficiaries by non-Federal agencies on the basis of an equitable assessment in accord with legal machinery to be established as needed by the non-Federal agencies.

3. Where local governmental or private organizations cannot adequately meet the appropriate non-Federal share of the cost, State governments should participate in sharing the cost of projects. This could be accomplished through assessment of identifiable beneficiaries.

4. Responsibility for bearing the cost of maintenance and operation of Federal projects and for their management should be turned over to non-Federal interests as soon as it is soundly feasible in consideration of the Federal investment.

5. The cost of providing vendible products or services should be repaid in full by the sale of those products or services.

6. All Federal agencies should use a uniform approach to cost sharing so that the division of costs between the Federal Government and non-Federal interests for any particular project would be the same regardless of the agency undertaking the project.

Procedure for Cost-Sharing

General.—The Committee has considered many cost-sharing proposals and has weighed carefully the elements of fairness to all concerned and precedents for sharing the cost of other programs. Further, it gave due recognition to the types of benefits accruing to individuals, groups of individuals, local and State governments, and the Nation as a whole. It was unable to discover for all cases a completely equitable yet practicable procedure for cost sharing based solely on the principle of sharing costs in proportion to benefits.

The Committee recommends, as a general policy, that all interests participate in the cost of projects in accordance with the measure of their benefits, and that the Federal Government assume the cost of that part of projects where the benefits are widely dispersed and represent substantial contributions to the general economic growth of the country or region, or to the national defense.

The division of costs between Federal and non-Federal entities should be equitably determined on the basis of the degree and character of the respective interests, and the ability to identify direct beneficiaries. Where the project is primarily of a local character, and where beneficiaries are readily identifiable, the Federal Government's contribution should be limited, with the non-Federal interests bearing a substantial portion of the construction costs of the project as well as the replacement, maintenance, and operation costs. In cases where projects supply or safeguard national needs, or where there are other special compelling considerations, the Federal Government may bear a larger portion of the cost if found in each case to be justified and consistent with criteria established by the Coordinator of Water Resources. Where the non-Federal share is paid over a period of time, proposed payments should be computed in terms of present worth.

In determining the total construction cost of a project all engineering, legal, land acquisition, and related postauthorization costs should be included.

Exceptions to this general policy are noted below.

Power and municipal and industrial water supply.—The direct beneficiaries (users) should pay 100 percent of project costs allocated to purposes of power development and to municipal and industrial water supply. This would apply to both federally constructed projects and to non-Federal projects to which the Federal Government contributes. (The use of excess revenues as an aspect of cost sharing is discussed later in this section.)

Navigation.—Serious consideration should be given to repayment of a portion of the costs of new navigation projects, particularly those which will create navigability where none now exists, by the institution of user charges. Although it would appear logical, in the interest of a completely uniform policy as to the participation of beneficiaries in the costs of water resources developments, that user charges should be instituted which would at least bear the cost of operation and maintenance of such navigation facilities, it must be recognized that the subject of user charges involves not only water policy but also the whole field of transportation, including many other media. Therefore, it is a more appropriate subject for a survey of the entire field of transportation than one of water policy alone.

Recreation and fish and wildlife.—The Committee believes that the enhancement or improvement of basic recreation facilities (provision for access, public health, safety, and protection) and fish and wildlife resources of less than national significance should be treated in accordance with the general cost-sharing procedure proposed herein. Those of national significance should be financed entirely by the Federal Government. Lands to be acquired for purposes of enhancement of recreation or fish and wildlife resources should be shown separately in reports of project plans, and the acquisition of such lands should be authorized by the Congress for each individual project.

Drainage.—Major drainage incidental to flood-control projects should be financed in accordance with the general procedure for cost sharing. Drainage undertaken by individual farmers is considered to be beyond the scope of water resources development projects. Multiple farm drainage projects, if undertaken, would serve the same end purpose as irrigation projects; thus, they should be subject to the same cost-sharing policy as is irrigation.

Beach erosion control.—Present laws and policies for sharing the cost of beach erosion control projects are satisfactory and should be continued.

Salvage of historic objects.—The costs of salvage of objects of significant historic, archeologic, and scientific interest in connection with the development of water resources should be borne by the Federal Government. These funds should supplement rather than replace those now being devoted to this work by universities, scientific organizations, and others.

Pollution abatement and control.—The Committee endorses the established policy of primary State responsibility for controlling water pollution at its source. This is a traditional State responsibility and should continue. The Federal Government should assume its share of responsibility for pollution caused by its establishments. However, because of the broad public concern with water pollution, the growth and seriousness of the problem, the importance of basinwide planning, and the interstate character of many polluted waterways, the Committee recommends that the Federal Government assist the States through research, investigation, and technical assistance in the solving of pollution problems at their source. Major areas for such assistance include research in devising and perfecting methods of treatment of complex wastes; technical assistance to State and interstate agencies, to municipalities, and to private interests in the execution of water pollution abatement programs; and planning the solution to interstate pollution problems.

Where the effects of pollution are interstate and where regulatory actions by the States or interstate agencies are ineffective, the Federal Government should prescribe basic criteria and participate in the planning of long-range programs for the abatement of pollution. Such action would be in addition to the enforcement of Federal statutes applicable to the abatement of pollution in interstate waters.

Where Federal water resources development projects provide incidental pollution abatement benefits, the cost allocated to this purpose should be borne by the beneficiaries. The assessment of beneficiaries for such cost is a responsibility of the non-Federal agencies and can be accomplished in the same manner as for other water resources development purposes.

Special Problems

Use of excess revenues.—Reclamation law has for many years permitted the application of excess revenue from the sale of power and municipal and industrial water (i. e., revenues received in excess of the amount necessary to amortize the capital cost with interest and cost of maintenance and operation of such purposes) to help repay part of irrigation costs. Such application has been made on numerous projects over many years. It should be recognized, however, that any charge for power above that necessary to repay power costs constitutes in effect an assessment upon the power users, who include practically all of the residents, in the region. Thus it is one method of collecting a share of costs from secondary local beneficiaries.

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The Committee believes that such a use of excess revenue from Federal power sales to repay a portion of the costs of other types of projects is a justifiable procedure provided the project to which such revenues are applied is a part of the area from which such excess revenues are derived. However, it should be pointed out that the utilization of excess revenue to aid projects which are in no way related to the facility producing the excess revenues amounts in reality to the operation of a Government facility to obtain a profit to be used for other purposes, and there are obvious limits beyond which such a policy cannot be justified. Under the joint Federal-State planning procedures recommended herein, the people of the region concerned will have a voice in determining whether they should be required to pay rates creating such excess revenues for the benefit of other projects.

Payment of interest.—Repayment of the Federal investment is required for certain types of water resources developments. However, there is no uniform pattern governing the payment of interest on Federal funds advanced for this purpose. For example, power as well as municipal and industrial water users generally pay interest while irrigators do not. Under existing procedure other beneficiaries, such as those protected from flooding, are generally not required to reimburse the Federal Government for its cash outlays, and interest is consequently not involved.

The Committee recommends that as a general policy interest be paid on all Federal investment subject to repayment. In making this recommendation, the Committee recognizes that the provision of interest-free Federal funds for irrigation does not conform to this policy. The Committee believes, however, that this provision should not be eliminated but rather that interest should be shown clearly as a Federal cost, as should all nonreimbursable items in all projects.

There should be no interest-free funds provided on Federal investment in irrigation works supplying water to farmland in excess of a family-size farm. The Committee believes that there should be more flexibility in the determination of what constitutes a family-size farm.

Payment of taxes on water resources projects.—The Committee believes that with respect to the payment of taxes, revenue-producing water resources projects should be considered in the same category as other Government business enterprises and that when general legislation is enacted, requiring such Federal activities to make payments in lieu of taxes, water resources projects be included on the same basis as other similar enterprises.

Operation and maintenance.—The Committee recognizes that, in view of the great variation in the nature and size of Federal water-resources projects, no clean-cut line can be drawn between projects which can feasibly be turned over to non-Federal interests for operation and maintenance, and those which the Federal Government should operate and maintain. The particular conditions relating to each project should govern the determination of responsibility for operation and maintenance. The Committee recommends that operation of water resources projects be turned over to non-Federal interests as soon as possible in all cases where this is practicable. This applies particularly to local irrigation systems, and flood-control projects, and similar projects or parts of projects.

Non-Federal Projects

The Federal Government should encourage non-Federal initiation and assumption of responsibility for construction of water resources projects. This encouragement should include payment in the case of non-Federal projects of the amount that would have been nonreimbursable had the project been federally constructed, and the making or guaranteeing of loans to non-Federal interests for the construction of projects, and other appropriate means.

As an incentive to non-Federal construction of partnership projects having no vendible products, the Federal Government should increase by 10 percent the amount which it would contribute under the proposed general cost-sharing procedure if the project were to be built by the Federal Government.

The Federal Government should, to the extent necessary and appropriate, make or guarantee loans, under reasonable regulations, and with adequate security to States or local political subdivisions to construct water resources projects. However, no loans or guarantees should be made to cover costs of developing projects or portions thereof for power or municipal and industrial water, since, if these are economically sound, they may be readily financed otherwise.

To qualify for Federal participation, proposed non-Federal projects should be covered by reports of plans and investigations, including benefit-cost and financial analyses that are comparable to those made by the Federal Government for Federal projects. These reports are essential as a basis for Federal determination as to whether a non-Federal project is economically feasible and otherwise justified and as to what share of the cost each of the interested parties should be expected to bear.

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CABINET PAPER—PRIVILEGED

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THE CABINET

Summary Review of Developments with Respect to Oil Imports

1. In July 1954, the President established an Advisory Committee on Energy Supplies and Resources Policy, including members from the Departments of State, Treasury, Defense, Justice, Interior, Commerce, Labor, and the Office of Defense Mobilization, with the Director as Chairman. The Committee was directed to evaluate all factors pertaining to the development of energy supplies and resources with the aim of strengthening national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency. Among the questions specifically asked the Committee was the following: "What trade policies for energy supplies will most effectively express the overlapping national needs for adequate protectable supplies in case of war and for encouragement of economic growth of this country and friendly countries?"

2. Following a period of intensive investigation, the Advisory Committee on February 26, 1955, announced the following findings and recommendations with respect to imports of crude oil and residual fuel oil:

a. An expanding domestic oil industry plus a healthy oil industry in friendly countries which help to supply the U.S. market, constitute basically important elements in the kind of industrial strength which contributes most to a strong national defense.

b. If the imports of crude and residual oils should exceed significantly the respective relationships to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures essential supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and discovery. In the interest of national defense, imports should be kept in balance with domestic production of crude oil at 1954 levels. This should be done by voluntary individual action.

c. The relationships between imports and domestic production should be reviewed from time to time in the light of industrial expansion and changing economic and national defense requirements.

3. In June Congress passed the Trade Agreements Extension Act of 1955 which contained a new provision that the Director of ODM should advise the President whenever he has reason to believe that imports are entering the U.S. in such quantities as to threaten to impair the national security. During the debate in Congress, the findings and recommendations of the Advisory Committee on Energy Supplies and Resources Policy received considerable attention. The Senate Finance Committee incorporated the findings and recommendations summarized above in its report on the bill.

4. In a letter to oil importing companies, dated August 5, 1955, the Director of ODM called attention to his responsibilities under the Trade Agreements Extension Act of 1955 and to recommendations of the Advisory Committee concerning imports of oil. In addition, the companies were requested to provide information on oil imports during 1954-55, and the first six months of 1956.

In a subsequent letter, dated September 12, 1955, oil importing companies were advised that it appeared (a) that imports of crude and residual oils had increased more rapidly than the domestic production of crude oil, (b) that half the companies reporting imports of crude oil had exceeded the ratio recommended by the Advisory Committee and three-fourths of the companies reporting imports of residual oils had exceeded that ratio, and (c) that unless company policy changes were made, imports would continue to be substantially above the standard recommended by the Advisory Committee. This trend of developments naturally pointed to the conclusion that, in the absence of individual voluntary action over and above that already taken, it would be necessary to seek other means of implementing the recommendations of the Advisory Committee.

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For Information

5. In a follow-up letter, dated October 29, 1955, the oil importing companies were advised (a) that the information previously furnished, and that available from other sources, had been evaluated in terms of the responsibility of the Director of ODM, imposed by Section 7 of the Trade Agreements Extension Act of 1955, (b) that the Presidential Advisory Committee on Energy Supplies and Resources Policy, after appropriate consultation, had reached the conclusion that:

(i) With respect to residual fuel oils, actual and planned imports for the period April 1 - December 31, 1955 appear to be in accord with the Committee recommendation, on the basis of information now available.

(ii) With the exception of oil of Canadian and Venezuelan origin, and assuming that imports from these areas do not rise appreciably above present levels, importers of oil from other areas should further reduce their planned imports of crude oil for the period April 1 - December 31, 1955 by approximately 7 percent, if a substantial conformity with the Advisory Committee recommendation with respect to crude oil is to be achieved.

The companies were also advised that the Director of ODM had accepted the conclusions of the Advisory Committee and was communicating them for the guidance of each company on a voluntary basis.

6. On November 16, 1955, the oil importing companies were requested to report to ODM on a monthly basis their actual and planned imports of crude oil and residual fuel oil for the purpose of providing information necessary for determining the extent to which voluntary action may be taken to limit oil imports in conformity with the Advisory Committee recommendation.

7. The information furnished to date by oil importers indicates that among the major companies which are making an effort to comply with the Advisory Committee recommendation are the following

The Atlantic Refining Company
Standard Oil Company of California
Standard Oil Company of New Jersey
Gulf Oil Corporation
Sinclair Refining Company
Socony Mobil Oil Company, Inc.

Among the major importing companies which show actual or scheduled imports which deviate to a substantial extent from the Advisory Committee recommendation are the following:

Cities Service Company
Eastern States Petroleum Co., Inc.
Sun Oil Company
Tide Water Associated Oil Co.
The Texas Company

In a reply to ODM letter of October 29, 1955, the Cities Service Company indicated that it is going to follow the recommendation for a 7 percent reduction in crude oil imports.

The Independent Petroleum Association of America, after consideration of the current situation and of the position taken by the Director of the Office of Defense Mobilization, unanimously adopted a resolution at its annual convention relative to the latest ODM action:

> ".... that existing legislation provides a means of solving the problem of excessive oil imports, Whether that solution will be forthcoming, depends on actions to be taken by the importing companies and by the Federal Government, who now have this responsibility.
>
> "The Committee emphasizes that the problem involves the national welfare and, more important, the security of the United States. The Committee is firmly convinced, therefore, that prompt and effective action should be taken. Based on the actions taken to date by the Office of Defense Mobilization, the Committee is confident that prompt and effective action can and will be taken in the national interest.

"The recent letter to the importing companies from the Director of Defense Mobilization, announced on October 31, gives further encouragement that a solution to the problem of excessive oil imports is not only in process but will be forthcoming."

Prior to transmitting the ODM letter of October 29th to oil importing companies, communications had been received from New England Governors, Senators and Congressmen, urging that an embargo, as they put it, not be placed on the shipments of residual fuel oil to this country. Following the issuance of the October 29th letter, ODM received the following comment from the New England Council:

> "We here in New England are extremely gratified to find that the requested reduction in crude oil imports will not apply to oils of Venezuelan origin which are so essential to the industrial life of the New England community."

It is also interesting to note that the following comment was received from the National Coal Association:

> "We feel that the analysis of the oil import situation as contained in your letter, is fair and reasonable as based on conditions and information then available to you.
>
> "As you know, we have always felt that the voluntary cutbacks of the oil companies were not the perfect solution to our problem. However, in view of the legislation enacted by the Congress and the fact that your office has conscientiously endeavored to carry out the congressional dictates as related to the recommendations of your President's Advisory Committee on Energy Supplies and Resources Policy, we felt that it was only proper to permit you and your staff to carry out your program without harassment and criticism.
>
> "We believe that to date, progress has been made in bringing about some relief to the coal industry from excessive oil import competition."

In addition, a few letters have been received from companies having important foreign oil operations in the Middle East; namely, the Texas Company, Arabian American Oil Company, California Texas Oil Company, and American Independent Oil Company, expressing disagreement with what they refer to as "discrimination" represented by the exception of Canada and Venezuela.

FOR RELEASE AT 12:00 NOON (E.S.T.) JANUARY 17, 1956

JAMES C. HAGERTY, PRESS SECRETARY TO THE PRESIDENT

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THE WHITE HOUSE

The President today sent to the Congress the report of the Presidential Advisory Committee on Water Resources Policy, created by him on May 26, 1954.

The report, accompanied by a Presidential letter, proposes a long-range program for conservation and use of the nation's water resources -- the first such program ever drafted and subscribed to by all Federal Departments and Agencies with a responsibility in this field.

The Committee itself consists of the Secretary of Interior, Chairman; the Secretary of Defense and the Secretary of Agriculture. Also participating in the extensive studies on which the report is based were the Department of Commerce, Department of Health, Education and Welfare, Bureau of the Budget, Former Governor Len Jordan of Idaho, head of the American Section, International Joint Commission, and Major General J. S. Bragdon (USA - Ret.), Special Assistant to the President for Public Works Planning. The report was also approved by the Justice Department.

The report contained the following major proposals:

1. Data. To cope with growing water scarcity in some regions, disastrous floods in others, and the need to anticipate demands and problems of the future, that increased money and manpower be directed to collecting basic data on rainfall, stream flows and hydrology. (Page 6).

2. Planning. That planning of water resources projects -- involving supplies for domestic, industrial, agricultural, power and navigational needs, as well as flood control, recreational, conservation and anti-pollution programs, be undertaken cooperatively by Federal, State and local agencies concerned. (Page 14).

3. Execution. That a four-point organization plan to carry out such projects be set up, providing for (a) regional water resources committees, embracing both State and Federal officials; (b) a Federal Inter-Agency Committee on Water Resources to advise the President and to be headed by (c) a Coordinator of Water Resources, which new post would be established in the Executive Office of the President; and (d) a Board of Review of Water Resources Projects -- whose members would be totally separated from Federal Agencies and without involvement in projects coming before them -- to be appointed by the President and report to him through the Coordinator. (Pages 17-19).

The Water Resources Committee made the following additional policy recommendations:

That all aspects of potential water use be considered in the early planning stages of each project to make certain that long-range uses are not overlooked. (Pages 14-15).

That the principles which recognize water rights as property rights be accepted (Page 21).

That uniform procedures be adopted by all Federal Agencies for evaluating costs and benefits of water resources projects, in place of varying methods used heretofore; (Page 25); also that uniform standards be established for distributing costs among beneficiaries in proportion to benefits (Page 31), and that the Federal government help State and local governments initiate their own projects. (Page 35).

That each major water resources project be separately authorized by the Congress, (Page 28).

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